THE BUSINESS WEEK

The hopeful picture of seasonal business improvement, so impressive since August, has recently been blurred by renewed weakness in commodity prices, backsliding in the bond market and sudden unsettlement of the international exchanges. . . . The normal seasonal rise in general business activity, which has kept our adjusted index almost horizontal for nearly four months, seems to be sustained as October comes to a close. . . . Carloadings continue at the highest levels of the year and promise to prolong the improvement in railroad earnings shown for September. . . . Steel activity, though low, remains fairly steady and prospects of expansion have apparently seemed hopeful enough to the Steel Corporation to warrant maintenance of the preferred dividend. . . . The sharp super-seasonal rise in coal output has brought it near last year's levels, while electric power production is slowly narrowing the margin under 1931 figures. . . . October construction contracts are declining, but still a slowly rising bottom in building activity seems to have been established since April. . . . Check payments are obviously now being depressed more by the check tax and other charges than by declining business volume. . . . Money market conditions remain abnormally easy as the gold inflow and continued currency de-hoarding pile up excess bank reserves; but bank credit expansion and activity in the capital market are still confined almost wholly to federal government financing. . . . Relapse of commodity prices almost to the depression low levels in recent weeks and the collapse of sterling indicate the need for more effective reflationary efforts through international action.

20 CENTS McGRAW-HILL PUBLIS

CAN A PUMP GIVE MILK?

"JUST add water and serve," was *never* meant to apply to milk or to newspaper circulation. Water adds to the gallonage, but it does not add to the FOOD VALUE. From the consumer's standpoint it adds to the cost without giving him in return any proportionate benefit. So advertisers have come to fight shy of circulation, any part of which they have any reason to suspect comes out of a pump.

* * *

In these days, when the convalescent tissues of business must be rebuilt, it is more highly important than ever before to make sure that there is no dilution or make-believe in the food from which you expect to get back your sales strength.

FACTS NO ADVERTISER CAN IGNORE!

For the first 9 months this year, The Chicago Daily News carried more Retail Advertising than any other Chicago daily or the two morning papers combined.

For the first 9 months this year, The Chicago Daily News carried more Grocery Advertising than any other three Chicago dailies combined.

Authority: Media Records.

The Chicago Daily News has never attempted to develop phantom circulation. 400,000 circulation is 400,000, and so labeled. There is no waste in Daily News circulation—96% of it is concentrated inside the 40-mile Chicago trading area. No pumping has been done—no premiums used—no subscription contests employed. And, above all else, Daily News circulation has no Scatterville content whatsoever.

* * *

As a result, six days a week, month in and month out, The Chicago Daily News carries more total advertising lines than any other Chicago newspaper, evening or morning.

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This Business Week:

Tariff

Industrial inactivity here accentuates the necessity of protection from the flood of imports let loose when the gold standard broke abroad. The Tariff Commission has been called out to man the levees. How it handles the backwash of depreciated currencies will have great significance in view of the coming world conference on economic flood control. *(p. 5)*

Retail Sales

John Doe Consumer thinks that business is better: he is buying again. Storekeepers have had this impression since Labor Day; it is confirmed by the figures which show a rise in retail sales better than seasonal in volume, other than seasonal in character. *(p. 6)*

Oil Burners

Sales are lower, naturally, than last year; what is encouraging is the percentage of pickup at the beginning of the selling season and the evidence that the trend will continue. A comparatively new addition to the industry—the kitchen range burner—is selling well, especially in New England. *(p. 8)*

In Washington, oil companies are offering free service and inspection to get the fuel oil business. Oil burner dealers, backed by the manufacturers, are fighting hard to hold it, warning the public that only regular dealers can supply replacement parts. *(p. 9)*

Real Estate

Aroused by the commercial crime wave in defaulted real estate bonds, the American Arbitration Association offers to act as a vigilantes committee to stop what it politely calls "the extravagance, selfishness, and unnecessary delay in executing rehabilitation programs." Cheated bond-holders are less polite; they call it a racket. *(p. 10)*

In several cities, the real estate boards are acting as mediators to adjust differences between parties to a mortgage, prevent foreclosure. *(p. 11)*

Construction

It takes all kinds of people to make a building, a dam, or a road, but in spite of their common goal there is a traditional lack of coordination. After all these centuries, it now looks as though the many parts might really be consolidated into the "construction industry." *(p. 11)*

Transport

The railroads, asked by the I.C.C., don't think that cutting the price per ride will boost the volume enough to be justifiable. Experiments in fare reduction seem to bear out their conclusion. *(p. 12)*

From all indications, the legislative season is going to be hard on trucks and buses, with railroads gunning for them everywhere. Much depends on whether the Supreme Court decides they are fair game in Texas, but anyway they offer big targets for taxes and restrictions. *(p. 13)*

In its decision disposing of Mr. Loree's dream railroad across the Alleghenies, the I.C.C. removes the last vestige of the "5th system." *(p. 15)*

Taxes

The government, like its citizens, has economized, but a penny saved, after all, is not a penny earned. New taxes have not lived up to Treasury estimates. It looks like newer taxes. *(p. 16)*

R.F.C.

Full figures of the Reconstruction Corporation's operations show salvage loans to banks and railroads declining, relief and argicultural loans increasing. *(p. 20)*

Jobs

R.F.C. money for those self-liquidating construction projects hasn't started any pick-and-shovel movement yet on 10 out of the 15 jobs authorized. Preliminaries are slow but necessary. *(p. 22)*

Steel

Deflation has reached its farthest north: the price of rails has come down. Steel mills hope the railroads will reciprocate with orders. *(p. 14)*

Foreign

Germany's expansion of government doles for needy property-owners, industries, and financial groups, like our own recovery program, assumes better times are coming. *(p. 24)*

The break in British-Soviet trade relations is probably not permanent, but it illustrates the lengths to which nations will go to better their trading positions. *(p. 28)*

The Soviets tell how much they are buying abroad, and where. *(p. 25)*

Elections, budgets, currency decline, war debt politics have upset world business. Britain is faced with social unrest. France worries over the budget. Germany has election trouble. The next fortnight will be dull, as far as business goes. *(Cables, p. 29)*

Coal

Bituminous coal production is rising fast, jumped 18% from August to September. Even after making allowances for seasonal increase and for delayed shipping, this is large, can mean only increased business activity. *(p. 7)*

Figures

Coal and carloadings, probably to replenish low inventories, continue to keep a cheerful note in the business picture. October construction activity, particularly in public works, has hit a lull. Residential building holds up fairly well. Steel's cut on rails hasn't started any mills, but the roads have several new rubbers on their bankrolls. Motor makers continue in neutral. *(p. 32)*

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending October 29, 1932

Depreciated Currencies Call For Prompt Action on Tariff

President's summons to Commission prompted by startling advantages exporters reap through exchange

"CURRENCIES in 30 countries have now depreciated from 5% to 55% . . . . which has greatly widened the difference in cost of production between the United States and those localities."

This is President Hoover's explanation of the new request to the Tariff Commission that it undertake a fresh study of import duties. The production and sale of 16 commodities manufactured in 30 states will be affected by any decision of the Commission.

Industries complaining to Washington in recent months have found difficulty in differentiating between depreciated currency, dumping, and cheap labor costs.

The significance of currency depreciation abroad is little understood by those who do not deal regularly in foreign trade or who have not lived at some time in a foreign country where the rate of exchange is an important question. When Britain abandoned the gold standard more than a year ago, few people realized that it would immediately give British manufacturers an advantage in foreign markets over those manufacturers selling on the gold standard. Prices based on sterling generally failed to increase for some time, though the British pound lost as much as 30% in value. In the latest toboggan, sterling has dropped as much as 33% of its gold value, may slide to new all-time lows unless the British government pegs it.

Far Eastern currencies have depreciated much farther. Chinese exchange, never based on gold, started to decline in 1928 when silver prices weakened. Japan, far more important in international trade, dropped the gold standard last December. At that time the Japanese yen was worth more than 49 cents in United States currency. So far in October, it has fluctuated between 22½ cents and 24 cents.

Virtually all Latin American currencies have fallen in value. The Argentine peso, for example, is worth a bare 60% of its former gold value.

Concrete examples of what depreciated currencies mean to American business are not lacking. Japanese imports have come in for the greatest criticism because the Japanese yen has fallen lower than the currency of any other major exporting country. Early last December before the Japanese abandoned the gold standard, it was possible to buy a pair of Japanese-made rubber-soled shoes in a popular style for slightly less than 30 cents in American currency. In October of this year, with the yen price unchanged, they cost only 14 cents in American money. This is merely the fluctuation due to the depreciation of Japanese currency values in relation to the dollar. The list of items to which this same principle applies and which have become a menace to established American industries includes canned fish, cheap cotton and grass rugs, pottery, electric light bulbs.

In addition to this advantage which exporters from off-gold countries enjoy, there is the problem of ad valorem duties. These are assessed in the United States on the basis of price in the country of origin (*BW—Oct26'32*). In this way, a 20% import duty no longer gives the same degree of protection that it did when competitors sold on a gold standard basis.

There are several reasons why the problem is just coming into prominence though Britain and the sterling group have been off the gold standard for more than a year, and Japan for 10 months. Presidential campaigning has brought tariffs into the foreground. Unemployment and industrial inactivity in this country accentuate the importance

International News

UNDISPUTED QUEEN—*The gigantic "Normandie," on the ways at St. Nazaire, looks more like a building than a ship. The French Line's newest will end all argument over "the world's largest ship." Over 1,000 ft. long, with a tonnage over 70,000, the "Normandie" is biggest beyond dispute*

of what normally would seem insignificant imports. Price-cutting on a world-wide scale gets out of hand when one competitor has also a currency advantage. The United States, as a vast creditor nation, attracts products from many countries seeking to meet debt obligations here through the sale of their manufactures. Sales organizations are only now fully geared up to take advantage of the new price differential due to their depreciated currency values.

And in a few cases, American industries which for several years have, due to one reason or another, found it difficult to compete with foreign producers, are exploiting the present situation to their advantage though their main competition is from countries still on the gold standard. Their case may be found to be just but it will be necessary to prove it on some other basis. The depreciated currency problem is a separate issue which calls for prompt action.

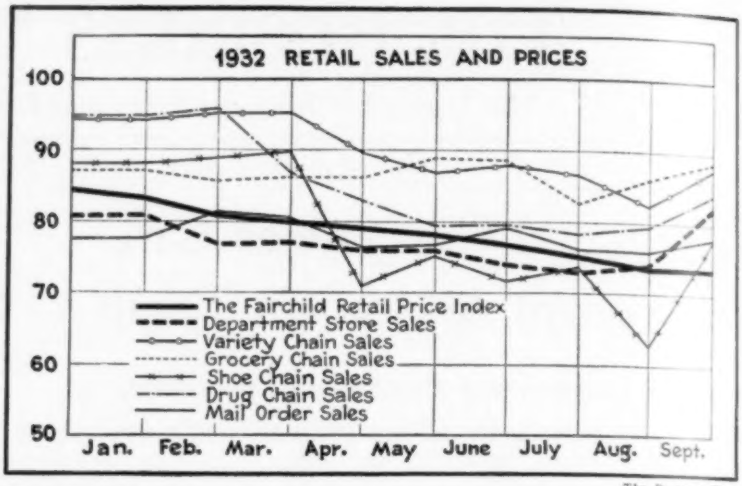
Accusations Unwise

There is no question that American industries need protection from this new flood of imports. The real question is the matter of handling the problem promptly and diplomatically. Foreign exporters as individuals can scarcely be blamed if they suddenly find themselves in possession of this advantage. Nor is it wise to rush them with accusations of dumping. At best, it is a tedious and generally unsavory job trying to prove that someone is dumping in this country. Always it delays trade. Usually it brings cries of discrimination. And Japan, to cite only one country bound to enter any such controversy, is one of our best customers.

Europe Has a Solution

Various European countries have solved the threatened problem of dumping by fluctuating a surtax automatically upward as the currency of the competitor depreciates. This applies to all, avoids discrimination. It works automatically. The United States may find it expedient to meet the present emergency by revising its tariff to achieve like results.

Findings of the Tariff Commission in its new investigation will be of vast importance. When the world economic conference meets next year and faces the monetary problems bound to be the crux of the agenda, any decision which the United States may have made regarding imports from off-gold countries will profoundly influence discussions regarding the general return to the gold standard.



The Business Week

SALES PICK UP—*Retail sales for the first nine months of 1932 are charted against 1931 as 100. Even slight improvement is reflected quickly*

Retail Sales Gains Trace Rise in Consumer Buying

Chain and department store reports serve as communiqués on progress of upturn

INCREASED consumer buying, more than seasonal in volume, other than seasonal in character, is now down in black and white in the retail sales figures in a way that is convincing manufacturers, wholesalers, and retailers themselves that the upward turn in business has really come.

Food chains, the last to feel the pinch, were the first to register the change.

Their 1931 turnover was well under the 1930 total (*BW—Jan27'32*) and their dollar sales continued the decline during the first 7 months of 1932. The July, 1932, sales of a representative group of chains, operating nearly 30,000 stores, dropped 17.5% below those of July, 1931, the most drastic dip on the toboggan.

Their upturn started with August, when sales were only 14.1% below those for the same month of 1931. In September the recovery carried them to within 11.5% of last year's September total.

Drug chains paralleled the food chains' performance. After the decline had let their sales down to 22% below the 1931 figure in July, the trend turned upward. August ran only about 20% under the same month of 1931 and the September sales were within 16% of September, 1931.

The variety chains, operating 5¢, 10¢, 25¢ to $1.00 stores, did not reflect the improvement in buying until September. Due to their ability to broaden the range of merchandise carried, and thereby their opportunity for making sales, this type of chain came through the last 2½ years with comparatively small losses in volume, until April, 1932.

September Changed Outlook

For the first quarter of '32, sales of the 3 largest chains in this group were only 5% below the level of the same period of '31. The drastic loss in volume started in April, continued through August which showed dollar sales 17.9% under the August, 1931, mark. In September these chains recovered over 25% of their loss, sales were only 12.5% below 1931, and totals for October are expected to approach still closer to the 1931 figures.

Retail sales of shoes, as reflected by chain store reports, staged a recovery in September as spectacular as the decline in previous month. Buying had been 37% below the 1931 point in August. In September it bounced back to a point within 22% of 1931's showing.

Particularly significant is the improvement in sales by department stores

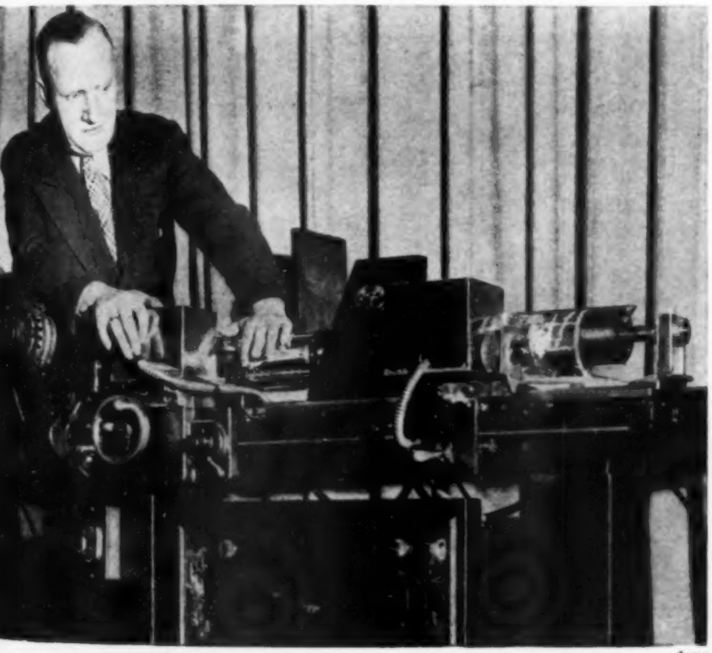
Totals reported to the Federal Reserve Board by over 500 stores located in over 200 cities declined almost steadily until July found sales by these stores 27% below those for the same month of 1931. Their August sales were only 26% under 1931 levels and September's came up to within 18% of the total for the comparable month of '31. For the first 14 days of October department store sales in the metropolitan area of New York stood only 13.9% below the showing for the same period of October a year ago.

Mail Order Gains Slow

The 2 big mail order houses also report definite improvement, though sales totals have barely begun to reflect it. Sales of Sears, Roebuck & Co. and Montgomery Ward & Co. combined took the farthest dip in August when the totals were 24.1% below the 1931 point. September volume was only 23% under that of a year ago. Considerable importance is attached to the fact that both mail order houses have found sales in rural districts coming back considerably sooner than in urban territory, where betterment is now under way.

Independent retailers in numerous cities report similar improvement. This advance in sales along the entire retail front seems to be directly and wholly attributable to a recovery of consumer confidence and nerve. Price cuts designed to lure volume by bargain bait have played no apparent part in it. It became evident some months ago that cheapness in price—and cheapness in quality—had lost all power of attraction. Month after month the public continued to cut down its purchases toward the level of immediate necessities, heedless of bargain offers. At the same time, there have been no recent price increases to stimulate buying in anticipation of further increases. Fairchild Retail Price Index made no sudden August dip in the steady decline that continued right through that month and no more than held the August level during September.

The quick increase in demand has caught many wholesalers and manufacturers with little or no stocks. While, due to the character of their products or because of superior modern production facilities, some manufacturers find it possible to speed up production to meet the demand, others have dropped woefully behind in deliveries and are losing orders. This is particularly evident in lines where production calls for handwork or where style goods are involved. Department store buyers report that it is almost impossible to get spot delivery on more than small lots, say that manufacturers who have produced fast-selling numbers are getting only a fraction of the volume they might have had if able to deliver. And it is to "urgent retail store orders" that the Railway Express Agency attributes the 30% gain by which air express shipments for the 2 weeks ending Oct. 22 shot ahead of the previous fortnight's traffic.



Acme

ELECTRIC-EYED ENGRAVER—*Walter Howey, Hearst's boss picture man, demonstrates his automatic engraving machine to the engineers. A photograph of the audience was developed, printed, engraved ready for the printing press in a matter of minutes. The present photo-engraving process takes hours, relies on skilled handwork; a boy can run this machine which makes halftones suitable for newspapers, already in use experimentally in Syracuse. A photocell, scanning the photograph, activates a sharp engraving tool which cuts the zinc rotating with the photograph*

Rise in Coal Output Shows Business Pickup

PRODUCTION of bituminous coal is increasing sharply; it was 22.489 million tons in August, 26.314 million tons in September, a rise of 18%. October apparently will continue the trend.

Coal men point out that a rise at this time is seasonal; they add also that shipment up the Lakes has been delayed this year, and now is being rushed to get the job done before the season closes. But after making allowance for these factors, they say analysis of shipments does show conclusively an improvement in general business.

Every coal-producing state showed an increase in September over August. The increase was most marked in Illinois—a special situation resulting from the end of a strike.

Shipments to the Lakes at the end of September had totaled 28 million tons in 1930; 22 million tons in 1931 and only 16 million in 1932. Granting that the total at the end of the season will not be as large this year as last, still it is obvious the movement has been delayed. October lake shipments are running 100,000 tons a week above September's.

Mines Trucking Coal Direct to Consumers

SHIPMENT of coal from mines by truck is increasing, both in tonnage and in length of average haul. Just how much, nobody knows, wherefore the National Coal Association has begun a national survey.

Expansion has been rapid recently in eastern Tennessee and Kentucky. Mines are reported to be selling direct to consumers. Hauling coal in 5- and 7½-ton trucks as much as 160 miles, they de-

liver to the consumer in Lexington, for instance, at $3.50 a ton. Retail dealers naturally are up in arms.

Trucking from mines has been going on in the Middle West for two or three years, has expanded in the last year. One of the large mines in Illinois, not far from St. Louis, remodeled its tipple to serve trucks, and advertised the fact.

There has been a start at long-distance trucking from Far Western mines, enough to arouse the roads to protest.

We're Holding the Phones As Business Improves

TELEPHONES are such an important factor in our business and personal habits that most folk felt better when the last report of the Bell System showed that the September loss in installations was comparatively small. For that month the decline was 90,000. In August it was over twice that, and in July almost 3 times as great. September usually shows an upturn, but last month's record was above the seasonal variation.

Heaviest removals have been in industrial districts. Since statistics are for instruments in use, not for subscribers, the figures reflect the reduction in large-company installations as a retrenchment measure. New England recently showed an increase—which backs up other signs of improvement there.

Interesting is the disclosure that maximum development came not in 1929 but somewhere in the third quarter of 1930. At the end of that year there were 15,682,000 Bell-owned telephones; now there are 10% less, or 14,020,000. Here is the record:

Quarter	*1930 Net Change*	*1931 Net Change*	*1932 Net Change*
1st	+100,000	—36,500	—280,000
2nd	+65,000	—62,000	—505,000
3rd	—45,000	—107,000	—559,000
4th	+5,000	—85,000	
	+125,000	—292,500	—1,344,000

The Galosh Makers Are Trading Up

MANUFACTURERS who make a business of preventing wet feet formerly centered their efforts in galoshes, etc., which cover the shoes. Latex Rubber Products, Akron, Ohio, greets the fall rains with "hoseguards" which slip over the stockings, inside the shoes. Hoseguards are sheer, light weight, come in brown and gun-metal. The waterproof material protects stockings, does not deflect slender ankle lines.

Oil Burner Selling Season Pushes Into Winter Months

Seasonal increase is hopeful; department stores now sell oil burners; kerosene comes back in the kitchen range

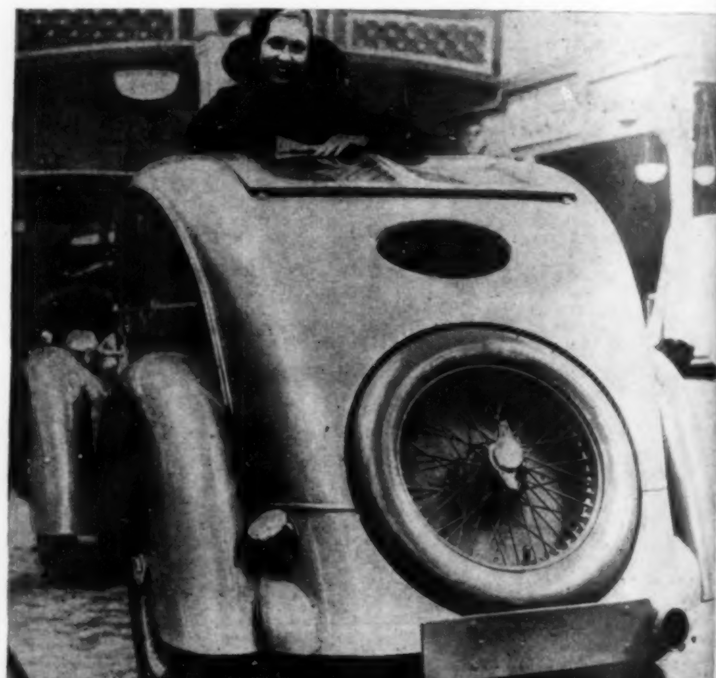
DEVELOPMENTS in the oil heating industry are unseasonably brisk. Usually, sales reach their peak in August and September, slump during the months when the furnace is going, to climb slowly after the last ash barrel of the season has been rolled out of the cellar.

This year, the number of burners sold is expectedly lower, the percentage of increase at the beginning of the selling season unexpectedly higher. As compiled by the Bureau of Census, shipments for the January to August period totaled only 34,356 in the United States, as against 44,067 in the same period of 1931. Last year, the season opened with a jump from 7,211 in July to 9,589 in August, 32%; this year, from 4,394 in July to 6,626 in August, a good 50%. There is evidence that the trend is continuing upward.

Several factors account for this. One is the extension of the selling season into the heating season. Improved installation facilities and technique have shortened installation time. Burners can be put in even in cold weather without chilling the house. Another reason is the pushing of the new integrated oil heaters.

One of these, General Electric, has had to advance production schedules. Being already assembled (except for the outer cover) its sales are not regulated by the thermometer. This company, by the way, has just joined the American Oil Burner Association.

A new development in the merchandising of oil heaters is the entry of department stores into the field. Abraham & Straus, famous and aggressive Brooklyn department store, is offering Delco (General Motors) oil burners. The housewares department features



BRITAIN'S MOTOR SHOW—*One of the small cars which were the feature of the show. It is lower, more advanced in streamlining than present American cars. Like many British models, it has the sliding roof as yet unknown over here. Note, also, how the tank and spare tire are enclosed*

Delco installation; the store adds its guarantee to that of the makers; payments may be spread over 2 years on the Abraham & Straus Convenient Payment Account.

John Wanamaker, New York, is selling the Petro-Nokol unit. Payment is made to Wanamaker, and the Wanamaker Budget Plan may be used. Fuel is supplied by Petroleum Heat & Power Co., maker of the burner. Both the complete unit and the burner for installation in existing boilers are handled, and are on exhibition in the housewares department and in the Wanamaker "Wonder House," which features many automatic devices.

A Humble Brother

The depression years have seen the rise of another kind of oil burner, logical offspring of the old kerosene stove. These burners are designed for installation in existing coal ranges, although their instant success is reported to have started many stove manufacturers to designing ranges especially for them.

New England has proved a happy market ground. There is no natural gas, the hard coal used almost exclusively in the region costs $12 to $16 a ton, and there are many factory workers who use the kitchen range to heat the house as well as cook. Many farmers, too, have given up wood for the more convenient oil.

The first of these burners used kerosene; later, they were designed to take heavier oils ranging down to No. 1 furnace, which is the grade used in many full-sized installations. They consist of a tank of glass or metal on a stand located near the stove, connected by copper tubing with the burners in the firebox. Prices are in the neighborhood of $50, installation extra, time payments available.

60 Companies Compete

There are over 60 companies now making range oil burners. Most of them are located in New England. Perhaps the largest is Silent Glow Burner Corp., headquarters in Hartford. By radio and local newspapers it has sold, according to estimates, well over 100,000. Last year alone, it accounted for 40,000 sales, expects to do as well or better this year.

Sears, Roebuck, among the mail order houses, has had considerable success with range burners sold through the catalogue or installed by the stores.

This new market has increased the sale of kerosene. Some oil companies carry a special grade, but many simply call their kerosene "range oil" and sell it for a cent or two less than the posted kerosene price. With the number of burners estimated all the way from 250,000 to 450,000 and with the average annual consumption about 500 gallons, the total constitutes a sizeable market, some 125 million to 200 million gallons.

It is doubtful if the range burners will repeat their success in other areas: conditions in New England are particularly good. But their sale will undoubtedly increase in other sections. If, when, and as the farm financial situation improves, the farm market will be something to work for.

Oil Companies, Burner Dealers Battle for Fuel Market

With the coming of the first frost, proud owners of oil burners in the city of Washington and its environs snapped switches to start their winter heat and immediately became innocent bystanders in a whirling fight between the oil burner dealers and the oil companies.

Both sides are hot after the fuel oil business. The oil burner dealers consider it their natural right, having developed the market in the first place. The oil companies say they are in the oil business and no dealer knows any more about oil than they do.

The explosion has been building up all summer. Both oil companies and burner dealers have been wooing the trade of the consumer with offers of service, inspection, and maintenance. The flash point was reached when cold weather brought cash purchases.

Properly to appreciate the situation and the attention it is getting, it should be understood that Washington, District of Columbia, and its suburbs in Virginia and Maryland constitute a particularly lush market for oil burners and fuel oil. The variability of the climate capitalizes the flexibility of the oil burner. Winters are cold enough to demand some sort of central heating, mild enough to make unnecessary a continuous high heat. Moreover, Washington is the home of the government employee whose protected pay envelope has acquired new strength.

Worth fighting for in itself, the Washington market has a national angle. Oil burner makers are in deadly fear that the practices forced into the competition will spread, endangering dealerships everywhere. For while but 1 dealer in 7 actually sells fuel oil, all are interested, financially or otherwise, in its sale. And, of course, all are in the service business and therefore vitally concerned in what makes or breaks many a burner's reputation—its fuel.

In Washington, oil burner distributors have been selling service and regular inspections at a flat rate, consumers to pay for new parts when needed. The oil companies claim to have discovered many abuses of the system. They offered free service to gain the oil business they considered rightfully theirs. Thereafter, the oil men say, the dealers forgot their flat rate, began soliciting oil business with free service. Burner distributors blame the oil companies for the present situation. Privately, they say the oil companies are trying to regain a market nearly lost through poor oil.

Oil companies feel that those who sell burners have no more divine right to sell oil than automobile makers have to sell gasoline. Oil burner dealers (perhaps with the automobile in mind) are not going to give up the market so easily. They are selling—not just oil burners—but automatic heat, and theirs is the job of keeping it automatic.

Thus when Standard Oil, New Jersey, made its offer to service any oil burner free upon contract for a year's supply of fuel, the dealer division of the American Oil Burner Association acted with thermostatic speed.

Officials of the association conferred with officials of Standard of New Jersey. Standard stood by its offer. Whereupon the Oil Burner Association, through its member manufacturers and their Washington dealers, inserted large and ominous advertisements in the Washington papers condemning the practice of free service, warning oil burner owners that "parts will be sold by the manufacturers only through the recognized dealer outlets," that as sellers of automatic heat, "local oil burner dealers should be consulted both as to service problems and the type or grade of fuel oil."

Between the combatants stands the innocent consumer. The moral issues of free service do not worry him much. Gas stations have made him almost expect it. But he wonders what he'd do about parts if he had bad luck some cold and stormy morning.

Arbitration to the Rescue Of the Mortgage Bond Holder

New plan offers defaulted-security owners a way out of the reorganization racket

THE code of the bunco man maintains that it is immoral to give a sucker an even break. By embracing this system certain unscrupulous corporations have perfected a beautiful technique for exploiting the holders of defaulted real estate bonds. Committees ostensibly formed and loudly heralded as the protectors of bond interests induce frightened security owners to deposit their holdings. By obscurely worded agreements the committees are allowed to do almost anything they please with the bonds and the underlying properties —and the things some of them do is nobody's business!

Operators of these devices have been called "jackals" and "racketeers." But words break no bones. The schemes have been promoted with an insolence that has increased with the profits. Until recently about the only relief available for the defaulted-bond owner was profanity. Now he sees hope. Attracted by the growing size of the evil, the American Arbitration Association appointed a committee to investigate. On its findings, the association bases a plan for nation-wide relief.

Power Rests in Public Opinion

Briefly, it proposes to take from the reorganization committees their power, vesting it instead with arbitration boards made up of men whose integrity is beyond question. All interests are to work out rehabilitation of properties in cooperation with these boards. By avoiding foreclosures through voluntary adjustments great savings in time and money can be made. The association has no power to enforce adoption of its plan. It hopes that public sentiment, backed by wider knowledge of abuses, will educate bondholders to the point where they will insist on arbitration.

The American Arbitration Association is a non-profit, membership organization formed to work out business disputes without recourse to interminable and costly legal procedure. Opponents gathered around a table accomplish in a few hours settlements that might require years in court. Agreements made by the disputants are legally binding. The calibre of the association is indicated by its officers. Honorary presidents are Herbert Hoover, Charles Evans Hughes, Newton D. Baker, Charles Bernheimer, Moses H. Grossman. Its roster of executives and directors is almost a Who's Who of ethical business.

In referring to the situation the association uses terms in keeping with its dignity. Lucius R. Eastman, president, hopes the association's plan "will prevent extravagance, selfishness, and unnecessary delay in executing rehabilitation programs. At present no recognized process equally satisfactory to all parties is available."

In impolite language, the association hopes to correct a national scandal. It is all the more serious because no legal means has yet been discovered which effectively scotches the iniquities. There are reputable real estate firms which anathematize the abuses as loudly as the victims. Offending companies are to be recognized by their sins.

Another Crack at Him

During the boom, callous sales forces unloaded millions of real estate bonds on trusting customers. In many cases properties were grossly over-appraised; in every case building costs were enormous. With brazen audacity, some firms perfected schemes for further exploiting bondholders when the wave of foreclosures began to wash out the financial underpinnings of the properties. The stockholder was the forgotten man of the situation. He was the Vice-President Throttlebottom, remembered by no one, trying vainly to attract notice on the outskirts of the crowd. The bondholders, with equities in properties, owned claims to what was left, invited squeezes. Results were so happy that reorganization departments are now the most profitable divisions of some companies.

When a bond issue defaults, alert young men scurry about the country inducing holders to deposit their securities with the "protective" committee. Usually the fear of losing everything is sufficient to bring the worried bondholder into line. If not, pressure can be employed. An offer is made which promises, say, $200 if he doesn't deposit, $600 if he does. Naturally he takes the higher figure. The agreement which the bondholder signs allows the committee to do just about as it pleases with his bonds. Few of the victims take the trouble to read the involved, fine print clauses of the instrument; none could understand the legal abracadabra anyhow.

Only the issuing companies have the list of bondholders. It is illegal to give them out. Outsiders try to muscle in on the committee racket by advertising for signatures. A typical buccaneer generously offers to represent bondholders for 5% of par value—say $5 for a bond selling on the market at $17. Sometimes these outsiders succeed but the handicap is difficult; they are wont to complain with more bitterness than the long-suffering bondholder against the injustice of the issuing corporation.

20% of the Pie

Having sufficient signatures, the jolly milkmen get out their buckets and proceed blithely to a pleasant series of profits. The skill of their extractions is proved by the fact that the usual cost of foreclosure is around 20% of the actual value of the property. Thus an apartment house that came through at $1 million would have to give up $200,000.

With bondholders' signatures giving free play, the rehabilitators organize a new company to take over the property. They put themselves and their friends in fat executive jobs. To forestall possible embarrassment by those trusting bondholders who must be given stock the reorganization crowd ties up control in a voting trust. With all interference neatly blocked, the boys press forward with hands upturned. One gets the insurance business. Another, being a banker, gets the deposits; if there are loans to be made he does that too.

Fees for Everybody

All along the line there are fees for participating lawyers, salaries and rewards for other loyal insiders. (A nice supplementary pickup is awarded the bank where the collected bonds are originally deposited. In New York the rate for simply putting the bonds in the safe and having clerks handle them is ¼ of 1% of par value. Thus bonds which may have a market value of $1 million but a face value of $10 millions must pay $25,000 for the privilege of a temporary resting place. In other cities the rate is much higher.)

Proof of the thriving condition of this monkey business is seen in fee-paid collectors of signatures. Young men who scurry about the land enticing bondholders to deposit with committees are paid 2% and 3% of the par value

of the bonds they so corral. The destructive nature of the process is reflected in the market price of many bonds. One issue on a de luxe New York apartment house was selling for 18 on the market when the property was earning 75% of its interest requirements.

5 Points of Cure

It is this condition which the American Arbitration Association hopes to alleviate. Its plan is offered for any property whose bonds have defaulted or whose bondholders' deposit agreements are involved. Abuses are illustrated in the following provisions of the proposed cure:

(1) No plan for readjustment to be adopted without having been presented and approved by an impartial board of arbitrators whose decision shall be final.

(2) The board must approve, can alter or amend all proposed fees and expenses of committees.

(3) Members of the reorganization body can purchase bonds or certificates of the property for their personal account only with the approval of the arbitration board.

(4) A bondholder may appeal to the board if he is refused the right to deposit his bonds or when his bonds are returned, or when he is refused the right to withdraw bonds.

(5) The deposit agreement may be changed only with the approval of the arbitration board.

To protect these principles the association provides that all arbitrators shall be appointed by it, and that all arbitrations shall be under its special rules, that decisions shall be binding, that results be legally sealed by judgment of courts having jurisdiction. A special agreement for the use of bondholders has been prepared as a part of the plan. Cooperation for the proposal is assured for 1,700 cities in which are located the business and community leaders making up its panel of 7,000 arbitrators. Nine hundred of these are in New York, where the association maintains headquarters.

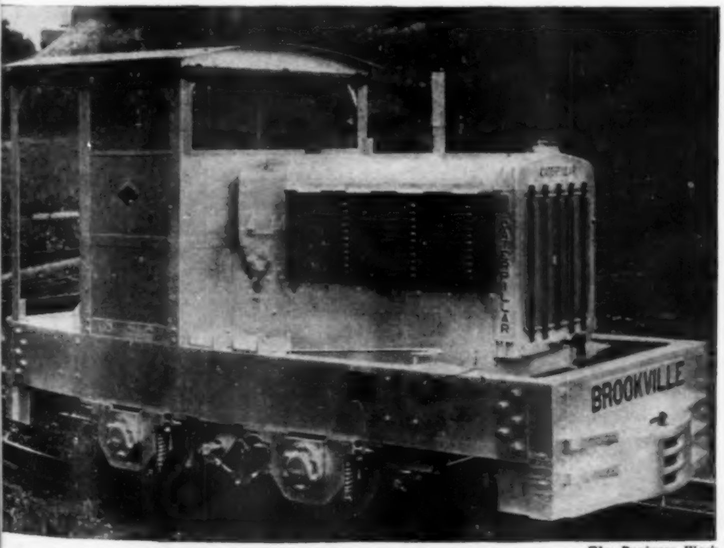
Real Estate Boards Mediate Mortgages

THE burden of mortgage debts, deplored loudly by the economist and even more loudly by the home owner, is being amicably adjusted in several large cities through the aid of real estate boards. Mediation service is furnished through advisory bodies, enabling opposing interests to get together, revise commitments to lower income, and avoid the drain of foreclosures. In Philadelphia, the Real Estate Board formed a Joint Welfare Committee of its own personnel and members of the Pennsylvania League of Building and Loan Associations. It cooperates with mortgage lending institutions. Of 3,500 cases brought before the committee, 85% were aided in adjustments.

The Chicago Real Estate Board provides an advisory service which includes analysis of income and property and reorganization based on these findings. A fee is charged—0.1% of the mortgage or bond issue involved, minimum $100. A committee of the New Orleans Real Estate Board has a set-up similar to Philadelphia's. In Gary, Ind., real estate interests are represented in the Mortgage Bureau which is part of the city's reconstruction machinery. The bureau has served as mediator in a thousand cases of threatened foreclosure.

Building Men at Last Begin To Knit Together an Industry

THAT great, sprawling congeries of professions, trades, and businesses engaged in the thousand and one activities that converge upon the single construction job is beginning, after all these centuries, to crystallize into something like a cooperative body.



The Business Week

PRODUCT MERGER—*Brookville builds locomotives which can pull on the rough trackage of construction jobs; Caterpillar builds engines noted for ruggedness. The larger Brookvilles are now powered by Caterpillar*

It is just a beginning, but the trend seems unmistakable. It is possible that "the construction industry" may become something more than a figure of speech; signs are apparent of a consciousness of common problems, and of cooperation to solve these problems.

A start was made in widely separated areas; it was in Washington this month that the various parts began to compose themselves into a recognizable picture.

In Washington met during the same week the Construction League of the United States, the National Conference on Construction, and the Associated General Contractors.

The Construction League of the United States is some 18 months old. Headed by Robert D. Kohn, New York architect, it gathers together in rather a compact organization engineers, architects, contractors, materials supply interests, and machinery men. It has, during its brief existence, made considerable strides toward arousing in these groups a new consciousness that they have common problems and common interests.

This is indeed new among construction interests. There has been a solid wall between the men and firms engaged in building erection, and those engaged in engineering projects. Materials

manufacturers and suppliers are impartially interested in both classes of work. They and contractors are not interested in the technical problems that engross the architect and the engineer. Yet there are vital problems that affect all of them—financing, public policies, forms of contract, labor relations.

The National Conference on Construction was to have been a one-time affair, in which the United States Chamber of Commerce and the Department of Commerce were interested.

But the simultaneous meetings in Washington with the Construction League and the Contractors developed so much interest, and so much consciousness of work yet to be done, that it is likely to survive in some form.

It was decided that for the present at least, there should be a division of activities. The Construction League seemed best adapted to deal with the internal problems of the industry—as relations between contractor and architect, labor problems. Whatever organization grows out of the National Conference on Construction will deal with the external relations—finance, realty, governmental policy.

The Contractors, with their national organization functioning since the war, and headed by Henry J. Kaiser of San Francisco, took a lively interest in proceedings of both the other organizations.

Railroads Now Get Their "Ounce of Prevention"

By prescribing a dose for the railroads before rather than after truck complications set in, the Interstate Commerce Commission seems to be trying its hand at preventive medicine. It may be that an old-fashioned doctor is humoring his patients but railroads hauling iron and steel articles from Chicago and St. Louis have been permitted to reduce rates because the I.C.C. is "satisfied that competing transportation agencies are available" and that "the managers of the railroads should not be required to defer revision of their rates until they can show substantial losses of traffic."

These are the conclusions of Commissioners Aitchison, Porter and Tate who, in May, 1931, wrote the commission's report denying permission to roads serving the new bright belt of North Carolina to put in an experimental reduction in rates on leaf tobacco to Richmond "based solely upon a fear that truck competition may hereafter deprive the roads of tonnage now enjoyed."

Pancake Motor—*Early automobiles had horizontal motors; this newest engine for buses reverts to type. It has 12 cylinders, opposed, musters 22 horsepower, is only 16 inches high, can be slung beneath the body of a bus. H. D. Church, White engineer, designer of the motor, looks it over*

Railroads Doubt That Fare Cut Is Answer to Passenger Deficit

Frisco's experiment didn't work; but European plan shows promise

Railroad executives were invited by the I.C.C. this week to express their opinion on whether rail passenger business can be improved by a general reduction in the standard fare of 3.6¢ a mile and to discuss any other proposal that might lift the deficit in passenger operations off the back of freight service. Passenger service falls short by $450 millions a year of contributing its proportionate share toward taxes and a return on railroad property. Even today, the railroads would be earning enough to stabilize their credit if passenger business were as profitable as the freight business.

The passenger rate was jacked up by the commission in 1920. For a generation prior to that time the standard was 3¢ a mile, disturbed only by an epidemic of 2¢-a-mile laws dating from about 1906 and wiped out by the Railroad Administration in 1918. Constant decline in passenger traffic followed the 20% increase in 1920. In that year gross revenues totaled $1,288 millions; in 1931, $551 millions. A drop to $500 millions is forecast this year by revenues of only $342 millions during the first 7 months.

A decline in receipts per passenger mile from 3.1¢ in 1921 to 2.4¢ this year reveals that, while there has been no general reduction in the standard rate of fare during this period, the public is paying an average of 22% less a mile than 10 years ago because of the cut rate inducements offered by the railroads individually.

Passenger traffic officials have been doing some heavy thinking and experimenting on the I.C.C.'s problem. The Frisco went the limit in deference to the popular notion that 2¢ is the proper rate.

The 2¢ coach rate between all points

on its system effective from Feb. 1 to June 30, 1931, attracted more passengers but revenues declined at a greater rate than on other roads in Southwestern territory. As the other roads only cut rates between competitive points it is fair to assume, according to H. W. Siddall, chairman of the Western Passenger Association and the Transcontinental Passenger Association, that if they had applied the 2¢ fare generally, the result of the Frisco's experiment would have been far worse. Mr. Siddall concedes, however, that a country-wide experiment with the 2¢ rate might result differently.

The success of the 3-class scale of fares introduced by the transcontinental roads to meet bus competition suggests that the European plan may be worth a try. This selective service embraces accommodations on standard sleeping cars, tourist sleeping cars, and coaches between the Middle West and the Pacific Coast.

Railroad passenger traffic officials are doubtful whether the rail rate of fare has any influence on travel by private automobile, a far more formidable competitor than bus or air lines, especially in view of the fact that the mileage allowances of business houses encourage employees to use their own cars to earn money to supplement their salaries.

It's Going to Be an Open Season on Trucks and Buses

New taxes and tighter regulations seem inevitable as legislatures meet and railroads raise hue and cry

TEXAS, bright star in the galaxy of railroad victories over the highway competitor, is about to be polished up or off by the United States Supreme Court. Whether still more states are to steer by the letter—and Congress by the spirit—of its pioneer motor truck law now depends somewhat on the constitutional arguments thereon which the court has consented to hear on Nov. 14.

While the pending case concerns the state's power to regulate contract carriers, the entire sweep of Texas motor vehicle regulation has tended to bring sharply into focus the fundamental conflict between the highways and the railways. This is particularly emphasized by one measure exempting from stringent limits on size, weight, and load all trucks carrying freight to the railroad station nearest their headquarters, clearly indicative of the legislators' intention to favor the steam lines (*BW—Jun1'32*).

Several states have already been guided by the Lone Star and legislators in others are studying its statutes against the approach of 1933 when, from almost every state capitol, the voice of the lawmaker will be heard through the land. And any constitutional test at this time gathers added importance from the fact the Congress is bearing down on Washington with several motor vehicle bills in its teeth and the Coolidge railroad committee whispering in its ear.

Even without Supreme Court drama it promises to be a stirring and disquieting year for the truckers and busmen. Even without the railroads they would still face the fact that most states looking for emergency revenues are looking at them—as New York did last spring when it slapped an increase of 65% on truck and bus fees effective until the end of 1933.

However, they are not without the railroads, and the railroad propaganda for bigger and better taxes and restrictions on the highway carriers was probably never more effective than it is right now. So many interests have a stake in the rail lines and what they have is now so much at stake that even the I.C.C. is disposed to be "reasonable." Such a widely shared disposition is certain to influence the trend of truck and bus legislation.

This year has brought to flower an unprecedented crop of regulatory and tax measures affecting trucks and buses. Most of them take their direction from the Texas law or the stiff control measure passed by Kansas. Kentucky came down on the trucks with weight and size restrictions and a much-debated mileage fee. Mississippi hit them with a temporary 2% gross income tax, with radical rulings on size, weight, and hours of service, and finally with a privilege tax. Virginia put 5 complicated truck laws on its books. West Virginia fell closely into line. Ohio startled the highway carriers with an order refusing certificates on certain routes because of traffic congestion, and nailed the order down with a State Supreme Court decision. Alabama's special session has acted favorably on a truck weight, size, and speed bill which irate opponents attribute to "railroad attempts to strangle competition." Louisiana is hatching a series of such measures.

47 States Regulate Buses

Bus lines are already under statutory control in 47 states, Delaware voting "Present." They have not fought routine legislation. Certification of public convenience and necessity, compulsory posting of bonds or liability insurance, and regulation of rates in intrastate operations have resulted, on the whole, in orderly operation.

What the bus lines do fear is the practical certitude that the state legislatures which meet this winter will increase their taxes and further restrict size and weight limits. Taxes now average $1,000 a year per bus, or 10% of gross receipts. Bus operators want standardization of size and weight limits, would gladly welcome a federal law compelling uniformity but don't believe it constitutional. Their big interstate common carrier lines are particularly anxious that federal laws shall not hamper them and leave contract carriers free.

Lilienthal's Analysis

Addressing the recent convention of the National Association of Motor Bus Operators, David E. Lilienthal of the Wisconsin Public Service Commission set up 2 principles for a settlement of the dispute between the railroads and their highway competitors: (1) No existing form of transportation has any vested right which can stand in the way of reasonable progress toward a more economical or convenient form of transportation for the general public; (2) No new form of transportation should be subsidized by being relieved of its fair share of tax burdens, or by being relieved of the regulation to which existing agencies are subject. Impartial observers would probably agree, but between these principles and their application to the present rivalry of the 2 conflicting groups of transportation interests lie many obstacles.

Among the most baffling is the jungle of contradictory statistical information that has been assembled by both sides. To take a very simple example of the inescapable discrepancies in figures and differences in basis of figuring commonly used: *Railway Age* finds that "the more conservative of recent esti-

mates places at around 10% the proportion of inter-city ton-mileage being handled by the trucks"; T. D. Pratt, general manager of the Motor Truck Association of America, states that inter-city trucks "carry only 4.2% of the total." Illustrations are limitless.

Meanwhile, some organized effort is being made to clarify the statistics and pull together the warring interests by men who are convinced that the highway carriers must carry a bigger share of the cost of maintaining their right-of-way, yet determined that the railroads must prove their case at every point. A striking opportunity lies before the Coolidge committee if it will really function as a "National Transportation Committee" and attempt to resolve some of the conflicts. The United States Chamber of Commerce has appointed a railway-highway committee which is now investigating the whole situation and can be of direct service to both sides and to the public. A particular interesting attempt at coordination is being made by the joint railway-highway committee set up by the Association of Railway Executives and the National Highway Users' Conference, General Atterbury of Pennsylvania being the rail chairman with Alfred H. Swayne, vice-president of General Motors, directing the highway users' interest in an adjustment of differences and an agreement on regulation.

The existence of Mr. Swayne's organization emphasizes the fact that this is not merely a battle between the trucks and the railroads. The rubber, oil, and automobile interests are in it. So are the chain stores. These and other groups have put together and financed the Highway Users' Conference, placed in charge of its activities Roy F. Britton, St. Louis lawyer who has been president of the Automobile Club of Missouri for many years. They are aggressive and they expect to influence sane legislation—even if it's a bad year for it.

Steel Rail Prices at Last Go Down in the Drive for Orders

Cut of $3 a ton after all these years is move to speed up deferred buying

MYRON C. TAYLOR, chairman of U. S. Steel, had lunch with 9 railroad executives. Next morning—Oct. 20—the corporation announced a reduction of $3 a ton in the price of rails. Similar announcements were made simultaneously by Big Steel's subsidiaries and by independents in Pittsburgh, Chicago, Cleveland, and Birmingham. Rails had been quoted at $43 a ton for 10 years, a circumstance which has long been eyed with suspicion by the trust-busters.

Eighteen months ago Senator Couzens (Mich.) criticized the railroads for not making an effort to bring down the price of rails in view of reductions in steel prices generally. There were suggestions that the carriers' interest in the steel companies' freight tonnage had something to do with their lethargy (*BW—Apr8'31*). Nothing has been heard of the Senator's letter suggesting an anti-trust investigation since it was turned over by the I.C.C. to the Department of Justice. But several conferences have been held during the past year between railroad executives and steel producers.

Their culmination in a price cut, coming at a time when the mills are resisting pressure for further price concessions on other steel products, is regarded as positive evidence that the railroads will reciprocate by increasing their orders, which have been next to nothing. The roads usually place their orders during late fall and winter in preparation for track work in the Spring. Their requirements ought to be abnormally large because of deferred maintenance.

By inviting the railroad presidents to luncheon Oct. 19, Mr. Taylor anticipated the meeting of U. S. Steel's board of directors Oct. 25 to consider action on the preferred dividend. As the regular dividend was declared, Mr. Taylor evidently was assured of some cooperation by the railroad men. They, in turn, are probably placing some reliance now on the unusual performance of carloadings in pushing beyond the usual seasonal peak.

Nothing has been said—out loud—about credit arrangements on such rail purchases as the roads may make, though, of course, the R.F.C. is still doing business. In September, 1931, F. J. Lisman, New York banker interested in railroad affairs, suggested the steel mills sell their rails on the installment plan. As title to the rails would pass immediately under the carriers' mortgages, such transactions could not be financed by the sale of securities to the public. Mr. Lisman contended that the steel companies could afford to handle the financing themselves. The answer may lie in how badly Big Steel's directors wanted to maintain that dividend and how badly all rail steel companies want orders. The railroads haven't seemed enthusiastic about giving them.

The "Tiffany Product"

Rail steel companies previously have opposed a reduction in the price. Rails are a specialty, long referred to as the "Tiffany product" of the industry which only a few mills are equipped to manufacture. This justifies, in the opinion of producers, a higher price than for other standard steel products. The official quotation of $43 a ton on both Bessemer and open-hearth rails has stood since Oct. 1, 1922.

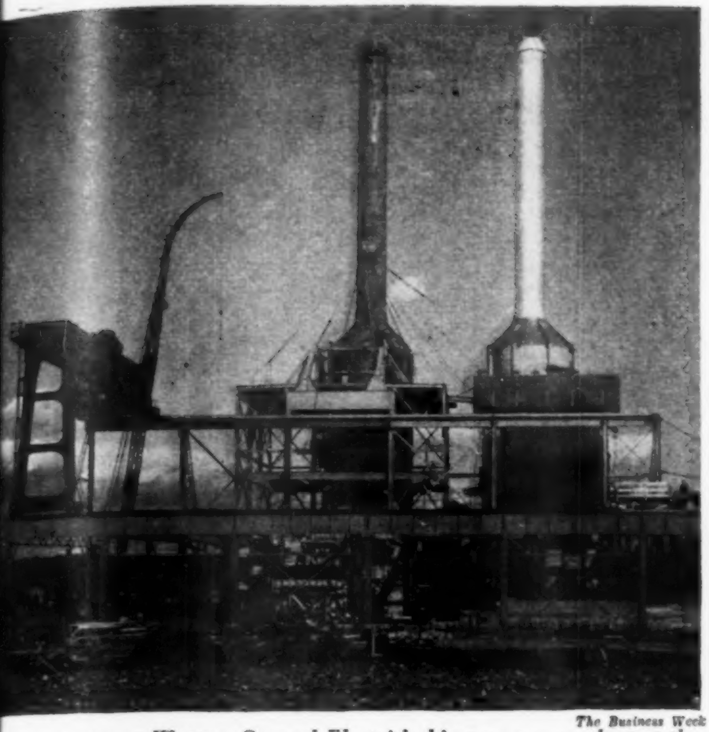
The new rate of $40 a ton is the same as that quoted Oct. 22, 1921. Prior to that date open-hearth rails commanded a premium of $2 over Bessemer. The pre-war price dropped as low as $33 in May, 1916. The government fixed a price of $55 during the war, cut to $45 in December, 1920.

Alton Takes the Trucks For a Ride—At a Profit

FOR combat with the trucks some shrewd railroaders have substituted profitable cooperation.

Latest to try this scheme out is the Alton, which has just adopted a rate schedule calculated to lure to the rails trucks which have hitherto made overnight trips between Chicago and East St. Louis to the considerable distress of the railroads connecting those points. Charges will be based on truck size, from $33 on 18 feet overall length to $66 for 32-34 footers.

Further west in Nebraska the Minneapolis & Omaha branch of the North Western is meeting the trucks on their own terms. It has obtained the State Railway Commission's permission to offer flat rates, instead of class rates on all l.c.l. shipments out of Norfolk and Omaha. Distance alone will determine the cost to the shipper, who may mix his loads as he desires. Charges are said to be below those demanded by truckers for similar runs.



The Business Week

EHABILITATION AT WORK—*General Electric's big new power plant at the henectady works is the first outdoor steam-electric generating plant. e mercury boiler and turbine will generate power which will be fed into lines of the New York Power & Light Corp. The steam will be used the General Electric plant. Both will cost less to produce*

.C.C. Drives Last Spike In "World's Only Modern Railroad"

EJECTION by the I.C.C. of Leonor F. oree's plan to build a 283-mile low-ade line across the Alleghenies, that ould cut 75 miles off the present routes etween New York harbor and the est, strikes the tent on a side-show in e negotiations on railroad consolida-on that put $62.5 millions into the easury of Mr. Loree's Delaware & udson, which is now living on the fat.

The stage was set in 1924 when, uring Loree's absence in Europe, the stern roads, Pennsylvania excepted, oked up a 4-system consolidation heme that dismembered the D.&H. stem. Loree's first move to scotch is plan was to resurrect the project of e late E. H. Harriman to build, at a st of $200 millions or thereabouts, he world's only modern railroad," a uble-track line between Easton and ttsburgh. Next, Mr. Loree raised the gaboo of a 5-system plan of consoli-ation by buying into the Lehigh Valley d Wabash, first on his own and then in cahoots with President Atterbury of the Pennsylvania.

The old baron also obtained a lease option on the Buffalo, Rochester & Pittsburgh and arranged with the Pennsylvania for trackage rights to connect the D.&H. with that system but the I.C.C. smelled smoke, turned down these plans and when it seemed that the opportunity for a fifth system had passed, the D.&H. sold out to the Pennsylvania not only its Lehigh Valley stock but the Wabash stock which had been bought for their joint account.

When the commission amazed the railroad world by adopting the five-system idea in December, 1929, the Pennsylvania was protected by its holdings in constituent lines and the D.&H. was allocated en bloc to a New England system, the Boston & Maine. As the Pennsylvania had the fifth system sewed up, the I.C.C. brought an anti-trust action against the road that is still pending in the courts.

After another year of squabbling the 4 Eastern trunk lines finally got together in December, 1930, on a 4-system plan of consolidation in which, to use Mr. Loree's expressive English, the D.&H. was again drawn and quartered. But, as amended by the commission, this plan preserves the status of the D.&H. as an independent "bridge" line into New England.

Tinge of Regret

Entrenched in an enviable position in the Eastern railroad field, Mr. Loree apparently is content to let the dream of a brand-new railroad and a fifth trunk line system fade into limbo, but there seems to be a tinge of regret in the commission's sententious report rejecting the project with the remark that "the obvious superiority of the line proposed and its possible value as an addition to the national transportation system . . . induced us to defer a final decision until the transportation necessities of the territory might be more definitely determined. Subsequent events are too well known to require any recital. It is clear that neither present nor future public convenience and necessity have been shown, or can now be shown, to require construction of the proposed line."

Mr. Loree may again rise in his might if consolidation of New England roads ever comes to the fore, but in the meantime the commission has revealed that it is definitely committed to the plan for combining Eastern roads into 4 systems by clearing its docket of the Loree project and of the application of the Pittsburgh & West Virginia Railway to acquire control of the Wheeling & Lake Erie, both links in the fifth system proposed by the Taplin interests that, at the time, were suspected of representing the Pennsylvania.

Auspices Are Favorable For the Car Ferry

IF the Florida East Coast Railroad still wants to operate a car ferry switching loaded freight cars between dockside tracks in New Orleans and Havana it may do so with the Interstate Commerce Commission's assurance that its efforts are in the public interest. Even if, as reported, its receiver has abandoned the plan to duplicate its Key West–Havana car ferry service on the longer run, the I.C.C.'s approval last week of its application filed nearly 2 years ago is an important event in shipping history.

Reason: Seatrains, Inc., has just started a similar car ferry service be-

tween New York and New Orleans via Havana under a cloud of doubt as to whether the commission will allow it to operate beyond a 6-month trial period in the face of vigorous objections from the railroads and ship lines on whose toes it has trodden (*BW—Sep28'32*). The ruling that threatens it with a rival on part of the route seems to indicate that neither rate advantages nor the protested railroad participation in seatrain ownership are likely to impair the development of this new form of transportation service.

The New Taxes Are Doing Better But Newer Ones Seem Certain

Income has fallen so far below the estimates that our economies can hardly pull us clear

ORDINARY expenses of the federal government have been running considerably below last year so far during this fiscal year, but income is running still farther behind. The deficit is growing and will soon catch up with that of last year unless revenue picks up sharply. Yield of the new excise taxes is disappointingly below Treasury estimates, but shows signs of improving.

By the latest Treasury statement ordinary expenditures so far this fiscal year have been about $170 millions below those for the corresponding period last year. This does not take account of outlays of the R.F.C. which are made from proceeds of sale of its securities to the Treasury and are charged up to the public debt. At this rate the saving in federal expenses for the whole year would amount to over half a billion, which is somewhat more than was anticipated.

The largest cut was in the Department of Agriculture, whose expenditures during the first quarter of this fiscal year were a little over $90 millions below those of last year. This drop is due largely to the fact that last year the department paid out about $80 millions in advances to states for emergency road construction. Even larger advances are being made this year, but they are being carried by the R.F.C. The same applies to outlays for seed and feed loans.

Veterans Boosted Expenses

Treasury Department expenditures showed a reduction of nearly $40 millions. Outlays of all departments except Interior, Labor, and the Veterans' Bureau were lower. The latter spent more than any other branch of government during the quarter. Advances to members of the B.E.F. for travel expenses in the attempt to persuade them to go home was one factor in the increase of nearly $8 millions in the outlay of the bureau.

In spite of the low interest rates at which the Treasury is raising new money, interest costs on the public debt rose during the quarter by over $25 millions because the outstanding volume of interest-bearing obligations increased by about a billion in that period.

Another factor that helped the Treasury balance sheet on the expense side was lower refunds of taxes. The postal deficiency was also less by about $15 millions because of higher postal rates, although the yield of the new rates has been disappointing.

The main trouble, for the Treasury as for everybody, is on the income side. Total ordinary receipts to date this fiscal year have run about $138 millions behind last. All classes of federal revenue are lower except miscellaneous internal revenue, where the new excise taxes are reflected. Income taxes and customs receipts were not affected by the new revenue legislation this summer and reflect only bad trade and business conditions, with a drop of $145 millions in income tax collections and $45 millions in customs. Corporation income taxes were off somewhat less than individual income collections. Estate taxes also were down by about 70%.

In fact all sources of internal revenue other than the new excise and similar taxes introduced in the recent Revenue Act showed declines. The increase of revenue from these new taxes was not enough to offset the decline in revenue from the old ones. It would have come near doing so had the Treasury estimates of the yield of the new taxes been realized. Internal revenue collections (excluding customs) were about $100 millions below last year for the first quarter of the present fiscal period, and the yield of the new taxes fell just about $100 millions short of the Treasury estimate. The Treasury figured they would produce $160 millions and th actually turned up only $60 millions— 37% of the amount expected. Eve one of the taxes fell behind by a larg or small proportion except two—th tax on safe-deposit boxes and on pleas ure boats. The former yielded almo twice as much as was expected, showin that they were more popular than eve the Administration thought.

There were some signs of improv ment in the tax yield in September compared with August. Receipts u der these new taxes in August were on 41.2% of the estimated amount; September 64%. The yield of the ne tax on stock transfers and new sto and bond issues exceeded expectatio in September—the former, especiall by over 50%. But results of some the taxes still showed puzzling di crepancies with Treasury estimates. T tax on home brew ingredients presen such a puzzle to the Treasury that o cials are planning to investigate. It w expected to produce $20,500,000 t first quarter and actually yielded on $1,400,000. Taxes on lubricating oi tires and tubes, automobiles, elec power, gasoline, theatre admissions, a checks were especially far behind.

Slackest Quarter

Since this quarter has been t slackest of the year it is fairly cert that receipts during the coming quar will improve considerably. But it is al fairly certain that new revenue will ha to be found in the next session if repetition of last year's deficit is to avoided. To date this fiscal year t ordinary deficit (exclusive of R.F outlays) is $600 millions. R.F.C disbursements, up to Sept. 30—amou advanced less repayments made duri the quarter—were $280 millions. If t latter amount was not being carried an "extraordinary budget," and charg to the public debt on the assumpti that it will be repaid, the actual def for this fiscal year would be about $8 millions at the present time.

Foreign debt payments due Dec. amount to $120 millions. Apparen they will be made, but probably as us mainly in U. S. government securit which will go into the sinking fu and reduce the public debt but give Uncle Sam any more money spend.

Yield of the new income taxes c lectible March 15 is the most problem tical factor in the future fiscal positi If this also falls far behind the e mates—as seems likely from what known of incomes for 1932—the c tainty of new taxes will be increas

TO LEND

to Home Owners—

Johns-Manville makes it possible for you to have needed repair and modernization work done NOW—at a time when labor and materials are the lowest in years.

IF you're like thousands of other home owners today, you've been delaying and putting off important work that should be done to your home. Mostly because you feel you can't afford it right now.

Certain necessary repairs, for instance. Like the roof. Maybe it's starting to leak in places. Then a new roof before another winter is nothing short of a necessity. Or maybe it just needs repairing. That's equally important.

And then there's the question of insulation. You know it's a wise investment. You realize it would cut fuel bills radically and make the house much more comfortable all year 'round but somehow—well, you just haven't done anything about it.

And, no doubt, there are certain modern improvements, too, that you have had in mind. Like a recreation room in the basement. Or a maid's room in the attic. Or perhaps, in your particular case, it's a tile bathroom. On the other hand, maybe it's a tile kitchen that's most important.

Whatever the separate items may be, the chances are that there is necessary repair and improvement work that should be done *at once*. If you only had the money!

• • •

Well, here's good news. *Johns-Manville will lend you the money.* Makes available a sum of one million dollars ($1,000,000.00) for your immediate use. At a time when labor and materials are the lowest in years. At a time when your costs in having this work done would be at a minimum.

As a concrete example, notice the figures below. Here is the actual cost for a recent job. These persons got all the improvements listed *for only $63.95 down*. Johns-Manville financed the balance through this liberal loan plan. The purchasers paid only a small sum each month.

• • •

Johns-Manville will be glad to do the same for you if you act promptly. This offer, of course, applies only to repair and modernization work where J-M products are used.

If you are interested, address Johns-Manville, 292 Madison Ave., New York City. We will gladly supply the name of your J-M dealer, authorized to extend the privileges of this plan.

All these improvements on this particular job cost only $63.95 down* *(the balance on credit)*

	Down Payment
KITCHEN—13' x 10'—J-M Wainscoting. Cost $112.00	**$11.20**
RECREATION ROOM—1100 sq. ft. J-M Insulating Board. Cost $92.00	**9.20**
NEW ROOF—J-M Asbestos Shingles (Dutch Lap). 13 squares. Cost $226.50	**22.65**
INSULATION—J-M Type A—blown between attic floor and second-floor ceiling. 943 sq. ft. Cost $132.00	**13.20**
BATHROOM—5' x 8'—J-M Wainscoting. Cost $77.00	**7.70**
Total down payment	**$63.95**

* (Naturally these costs may vary slightly depending upon labor costs in various localities. The local J-M Dealer will gladly estimate your particular needs.)

Johns-Manville

JM

Controls
HEAT, COLD, SOUND, MOTION
Protects against
FIRE AND WEATHER

R.F.C. Operations Diminish Danger of Heavy Treasury Drain

Bank, rail and self-liquidating loans slacken; Corporation's report raises important questions

EMERGENCY demands of financial institutions and railroads on the R.F.C. have declined sharply since June, and in September amounts loaned for these purposes were the lowest for any month since the Corporation was established. Repayments have also increased and apparently the danger of serious drain on the Treasury from this part of the Administration's recovery machinery has disappeared for the present. Bank and railroad salvage loans authorized in June (peak month) were \$387 millions; in July \$163 millions; in August \$122 millions; and in September only \$64 millions.

Productive or make-work loans for self-paying construction and for railroad repair work also seem not to promise any important increase, although the R.F.C. wishes they would. With the \$3 million B.&O. loan last week all railroad applications have been disposed of except an uncertain one from Chicago & North Western for purchase of ties. Whether the reduction in rail prices by \$3 a ton will bring requests for rail-purchase loans remains to be seen.

Test Case Expedited

Construction loan applications suited to prompt action are slow in appearing and the Corporation says it is disappointed. Early action is expected on a large slum-clearance project in New York city. This will be a test case, to offset criticism of delay, and to serve as a stimulus and example to other states where enabling legislation has not been enacted. Apparently yielding somewhat to pressure of private real estate interests, the New York State Board of Housing, through Darwin R. James, chairman, and George Gove, secretary, assured the New York Building Congress last week that it does not want to jeopardize existing real estate investments and won't approve very many of the projects proposed to it, which so far amount to over \$160 millions.

The same prospect of diminishing demand does not apply to 2 other groups of loans—the direct unemployment relief loans to states and those for agricultural purposes. Up to Oct. 15 relief loans totaling \$43¾ millions had been made to 32 states, territories and lesser subdivisions. So far, New York, New Jersey, and Connecticut are the only sections in which no loans have been made. The R.F.C. is evidently trying to make its \$300 millions fund last a long while, but demands are sure to increase this winter.

A Quiet Absorption

The Corporation is inconspicuously concentrating more and more of the agricultural credit activities of the government in its own hands. Technically the Department of Agriculture administers the funds appropriated by Congress for production or seed and feed loans; but the R.F.C. furnishes the money, and the actual machinery of administration will gradually be shifted to the regional agricultural credit corporations, where it is hoped politics will play a smaller part in the distribution of funds. The R.F.C. had allocated \$110 millions, and paid over \$75 millions to the Secretary of Agriculture up to Sept. 30.

Eleven agricultural credit corporations with 29 regional offices have been set up; the eleventh—and first in the East—was established last week with headquarters in Albany, N. Y., to serve the New England states, New York, and New Jersey. The twelfth and last, to cover the Middle Atlantic states, is still to be set up. The Western ones are already very active. In the first two weeks of operation nearly \$300,000 have already been loaned to 140 farmers and livestock feeders and \$6 millions more of loans to 1,179 applicants approved. At the end of these two weeks 5,450 applications for loans totaling \$22,155,000 were pending.

Lines of Farmers

So far the R.F.C. has only supplied the capital for these corporations. Most of their paper will probably be discounted with intermediate credit and other banks, but the Washington board will, of course, be able to make loans to the corporations if necessary. Judging by the way the lines of farmers are forming around their offices this will probably be the outcome.

Another form of indirect aid to agriculture comes through loans to federal and joint stock land banks, as part of the regular R.F.C. service in supporting financial institutions. But here the Corporation realizes it is getting in pretty deep water and will not go very far till the next Congress does the something about the whole problem of farm mortgages that both candidates have promised.

The R.F.C., it seems, will also hold off from going heavily into the field of financing farm exports till after election at least. The proposition doesn't look promising in view of uncertainties about American tariff and other foreign policies; but the Corporation may put the Chinese wheat loan through if it can persuade the wheat co-ops in the Farmers' National to endorse the Chinese promissory note.

8 Months of Operation

The full figures of R.F.C. operations issued last week, covering the whole period from their outset on Feb. 2 up to the beginning of this month, make interesting reading and raise some important questions. In this period the Corporation had received from the Treasury \$1,100 millions, and about \$200 millions from loan repayments, interest, etc.; it had paid out approximately \$1,270 millions in loans, in funds turned over to the Secretary of Agriculture, and in operating expenses. The latter amounted to over \$2½ millions in the 8 months, but interest earned on loans was about 3 times as much.

In this period the R.F.C. had authorized a total of about \$1½ billions in loans, not including those later cancelled or withdrawn; it had actually advanced \$1,194 millions and had outstanding almost exactly \$1 billion. Repayments were rather impressive—\$185 millions—about 15% of the amount advanced.

Salvage and Doles

All of the billion actually outstanding on Sept. 30 had gone for salvage loans and for unemployment relief. Although \$53 millions had been authorized for self-liquidating projects, no money had been paid out on them up to the beginning of this month. The largest amount advanced was to banks and trust companies (\$706 millions) and next largest to railroads (\$228 millions) these two together accounting for more than 90% of the outstanding loans of the Corporation.

In view of the emphasis put upon assistance to banks in small communities the distribution of the loans to banks and trust companies is striking. Although of the total number of

The First Step—
Remember the good old adage, "Learn to walk before you run."

Metropolitan Life's contracts afford a means to

—create estates and incomes for families
—pay off mortgages
—educate children
—provide income in the event of retirement
—establish business credits
—stabilize business organizations by indemnifying them against the loss of key-men
—provide group protection for employees covering accident, sickness, old age and death
—provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

METROPOLITAN LIFE INSURANCE COMPANY W
1 MADISON AVENUE, NEW YORK, N.Y.
I am interested in planning a Thrift Program and shall be glad to have the advice of a Metropolitan Field-Man.

NAME__________
ADDRESS__________
CITY__________
STATE__________

MANY young fathers are not able to start extensive thrift programs for their families. But almost all of them are able to take the first step toward making constructive financial plans—in a modest way.

Millions of families in the United States and Canada are wisely building future financial protection with Life Insurance, paid for in small amounts weekly or monthly.

Many successful men of today still maintain their first small Life Insurance Policies taken out for them during childhood by their parents. They realize that the continuation of these Policies is a good investment.

Metropolitan Field-Men are trained to give advice concerning all kinds of Life Insurance and to lay out limited programs for those who are not yet prepared to carry out a complete program.

Every one interested in Life Insurance, in whatever amount, large or small, can be assured of sound advice by consulting a Metropolitan Field-Man.

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

Sovfoto

SCHENECTADY AT DNIEPROSTROY—*Three of the General Electric engineers who worked on Russia's great hydro electric project. Left, is C. J. Thomson, who was decorated with the Order of Lenin at formal dedication ceremonies October 10. Center, and right are E. E. Carrier and O. C. George*

banks aided (4,973) 70% were in communities of less than 5,000 population, only 16.5% of the total amount loaned ($853 millions) went to these banks. More than 50% of the amount loaned went to 350 banks, or 7% of the total number, located in cities of over 100,000 population; and nearly 70% of the funds went to 690 banks, or 14% of the total number, located in cities of over 25,000 population. Lots of small towns were aided, but the bigger ones got most of the money.

Aside from the R.F.C. most other recovery activities organized by the Administration are inconspicuous, with the outstanding exception of the industrial rehabilitation campaign which is being aggressively organized and is beginning to show concrete results in the shape of increasing expenditures for modernization of equipment and business facilities. The National Credit Corp., established a year ago in October, last week issued its eighth call for redemption of its notes, which completes repayment of 90% of the amount subscribed by the participating banks and indicates that the corporation will be winding up its affairs by the end of the year. The Commodities Finance Corp. has faded out of the picture completely.

Legal and Financial Tangles Delay Jobs on R.F.C. Projects

AUTHORIZATION by the Reconstruction Finance Corp. of loans totaling $124,563,620 has not yet put jobless men to work on water works, bridges, and other self-liquidating projects advertised as making jobs for 16,000 men directly on the site for various periods approximating 81,000,000 man-hours. Announcement of the loans during recent weeks created the impression that work would go forward immediately, but legal, engineering, and financial tangles are preventing the dirt from flying on 10 of the 15 projects financed on government credit under the Emergency Relief and Construction Act. Only one project—Middle Rio Grande—is reported actually under way and a test suit hangs over that.

Some misunderstanding has arisen from the fact that in most cases the applicants, at the R.F.C.'s suggestion, have submitted their plans before obtaining local or state authorization for the projects or the consent of the voters to assumption of the obligations. Conformity with such requirements involves detail that, of course, need not be pursued further if the project is rejected by the Corporation. But if the project is approved this work remains to be done, much of it before a spade can be turned.

Slow-Moving Machinery

Legal and financial machinery is cumbersome, slow-moving, but cannot be scrapped. A project must wait for election day, or the next session of the state legislature, for an audit of the accounts of a city water department, or perhaps for a court's decision on whether the bonds that the R.F.C. has agreed to purchase may be offered at private sale. One or more of such conditions attach to every project that the R.F.C. will approve.

Another cause of delay in breaking ground on approved projects is the burden of paper work that many of the applicants have thrust upon the R.F.C. after a project has been approved "in the rough" by the board of directors. As many of the applicants are small municipalities governed by the city councils or boards of aldermen, experience is wanting and the staff of the R.F.C. is forced to roll up its sleeves and do the work that ordinarily falls to the borrower of private capital.

Only 4 Contracts Drafted

Announcement of loans usually is made as soon as an applicant has agreed to the interest rate and other terms stipulated by the R.F.C. Although 15 projects have been authorized to date only 4 contracts have been formally drafted. With respect to the others various conditions still are being debated or many details remain to be perfected. A suggestion that the R.F.C. defer announcement of loans until, at least, all conditions have been agreed to and contracts formally approved is regarded as impractical because the R.F.C.'s initial decision invariably receives wide publicity locally.

As premature ballyhoo cannot be avoided, the proposal has been made unofficially that to speed work on the self-liquidating projects which the Corporation has agreed to finance, local bankers cooperate by making short-term advances against the loan where such cooperation would serve to furnish immediately the employment that the construction of self-liquidating works was designed to create.

Wide Reading

AIR CONDITIONING EQUIPMENT. C. Theo-dore Larson. *Architectural Record,* October. A complete checklist of equipment, names of companies producing it, name of product, its specific functions, its overall dimensions, the cost range.

WISCONSIN IS DIFFERENT. Elmer Davis. *Harper's,* October. What they call trouble in Wisconsin (aside from the tax situation) would look pretty much like unalloyed bliss in most other states. Many executives will be interested in the methods of handling business in Wisconsin.

PRICES MUST BE PUSHED UP, INDUSTRY'S EXECUTIVES SAY. Norman G. Shidle. *Automotive Industries,* Oct. 8. More than 200 executives agree that the buying power of the masses, upon which has been built huge enterprises, must be returned before normal profits can accrue to business.

BRITISH POOLING PLAN APPROVED. *Railway Age,* Oct. 1. Details of the proposed revenue pool among the British railroads. Of interest to rail executives and economists.

INDUSTRIAL RUSSIA. Homer S. Trecartin. *Iron Age,* Oct. 13. Why Russian industry is far from self-sufficient and why the country will remain a large market for quality products.

TWO COUNTRY BANKS IN IOWA AND VIRGINIA. Fred L. Garlock. *American Bankers Association Journal,* October. Shows, with charts, how requirements for liquidity depend on local factors.

BOOKS

THE ROAD TO REVIVAL. F. Cyril James. Harper, 235 pp., $2.75. Popular discussion of frequently suggested remedies for trade recovery including credit inflation, a more coordinated banking system, greater international cooperation on monetary policy, liberalization of anti-trust laws, expansion of regulatory powers of the Federal Trade Commission, the creation of a national advisory economic council, unemployment insurance, old age pensions, redistribution of national income to increase the share of wage earners and salaried workers.

CASES ON COOPERATVIE ADVERTISING. Harvard Business Reports. McGraw-Hill, 352 pp., $5. Producers of leather, paint, salmon, greeting cards, rayon, and cement have tried cooperative advertising effectively. Sometimes cooperation was whole-hearted, sometimes the project was limited. Intensive coverage of a pertinent problem.

LEADERS AND PERIODS OF AMERICAN FINANCE. Theodore J. Grayson. Wiley, 566 pp., $4. A history of outstanding personalities in the growth of American finance.

REPORTS—SURVEYS

OUTSTANDING BOOKS ON MARKETING. Business Branch, Public Library of Newark, New Jersey. List of outstanding books on marketing issued during and since 1927. Thumb-nail reviews of each.

SALARY AND WAGE POLICY IN THE DEPRESSION. National Industrial Conferences Board, 7 pp., $1.50. Methods of cutting; companies that have not reduced compensation scales; alternative methods of reducing payroll costs; the geographical factor in compensation reduction; job analysis and rate standardization; probable future policy.

Reich Recovery Plan, Like Ours Assumes That Worst Is Over

BERLIN—Germany has not yet seen the end of the government subsidy program. Last major development came nearly a month ago (*BW—Sep14'32*) when von Hindenburg backed the $600-million subsidy program outlined by von Papen as the most effective means of bringing economic revival in the Reich. Employment was subsidized by the government in that plan, and industry was guaranteed working capital through an elaborate system of refunding tax payments, effective Oct. 1.

It looks this week as if the policy of the government generously to distribute subsidies in the form of treasury notes to distressed economic groups and individual enterprises would be extended to new projects. The whole theory is based on the premise that the "bottom" of the depression has been passed. If true, the scheme can work. Economists, however, are somewhat perturbed over the newest proposals since they believe the government will be pledging future budget revenue to an extent hardly compatible with sound financial policy if it attempts to carry them through.

3 Groups of Applicants

It is possible to visualize no fewer than 3 distinct groups of applicants for these new subsidies, and it is to be expected that their claims will be pressed diligently.

The first includes city property owners, especially owners of office buildings. Already resentful that they were left out of von Papen's decree for the lowering of interest rates on farmers' mortgages, they are now trying to secure the assent of the government to a plan for reducing amortization (not interest) payments on all short-term and medium-term mortgages to a maximum of $1\frac{1}{2}\%$ a year. As has become customary, the state is expected to indemnify creditors for the losses they will sustain from this compulsory conversion of city mortgage debts.

Farmers' Bank in Line

Another likely applicant is the Central Farmers' Cooperative Bank. The Reich has already agreed, as a matter of principle, to assist its impending refinancing by a grant of some $50 millions, also in the form of treasury notes, payable at some fixed future date.

The Steel Trust is the third "almost certain" applicant. Not long ago the government acquired a controlling interest in the Steel Trust. It is known th the company is laboring under the crus ing weight of its short- and long-ter indebtedness and that sooner or la it will require financial assistance. well-known banker, Herr von Floto has been asked to make a thorou financial investigation of the organiz tion. When this study has been co pleted, it will be possible more acc rately to gauge the amount of ne financing that will be required.

Business Pick Up

German business has shown very de nite signs of revival since the von Pap scheme became operative. Industri have received new orders, employme has picked up, markets are steadie There is only a superficial hesitancy b cause of uncertainty over elections, be held on Nov. 6. Actually there little doubt that von Papen will co tinue in control and that his policy w be "given a chance to see what it c accomplish."

The principle of the reconstructi program is generally considered to be copy of that initiated in the Unit States, except that von Papen has ca ried it much farther than Washingto has been bold enough to do. Results Germany, therefore, will be the mo interesting to outside observers.

German Railroads Plan Organized Buying

BERLIN—One of the features of th von Papen tax refund plan was th rebate authorized on the transport ta Railroad authorities estimate that th rebate total may run as high as $4 millions. Plans are already under w to utilize these credits to finance th purchases of new materials and equip ment.

To handle these tax certificates whe they are rebated, and to coordinate pu chases for the German State Railway and finally to finance whatever part o the orders it may be expedient to mak before the tax certificates mature, th railroads have set up a special financin institution to be known as the Reich bahn Supply Co.

The new company will accept draf for payment on new materials orde in anticipation of maturity on the ta certificates in the years 1934 to 193

The Transport Credit Bank will discount this paper and the Reichsbank, in turn, will discount as many of these acceptances as may be necessary.

Germany's steel industry expects to re-employ vast numbers of workers to handle the railway equipment orders, the first of them already booked.

Who's Selling Russia —And How Much

A RECENT release from Soviet headquarters satisfied the curiosity of manufacturers who are concerned with the amount of business offered by the Russians and the share that comes their way. Imports of the Soviet Union from the 6 principal suppliers in the first 8 months of the last 3 years follow:

	Imports in first 8 months of		
	1932	*1931*	*1930*
	(millions of dollars)		
Germany	120.4	122.0	78.9
Great Britain	34.4	23.5	27.0
Persia	21.6	16.2	17.6
Italy	11.3	9.6	3.9
United States	10.8	90.0	108.3
Sweden	8.3	5.0	6.6

In discussing recent proposals providing for the use of Soviet import commodities as security for credits on Soviet purchases, the Amtorg Trading Corp. has made it clear that such plans are entirely unacceptable and approach the problem in the wrong way. Its announcement says:

"In placing orders in European countries for which long-term credits are received, the only guarantee given is the note of the Soviet purchasing organization. The same has been the case in this country, where the considerable amount of commercial credits received has been based solely on Amtorg notes. All obligations covered by these notes have been met promptly when due. Therefore, any plan involving the use of Soviet import goods as collateral for commercial credits would be a backward step and not acceptable to Amtorg and the Soviet trading organizations which Amtorg represents."

Government-financed exports are increasingly discussed by informed business leaders. Beyond this, there is nothing to indicate with any certainty what course the Administration can be expected to follow in working out plans to expand exports. Barriers to export trade with Russia are largely internal and therefore can be overcome with least delay. Not a few exporters are expecting the government to help them gain one of the top positions in the list of suppliers to the Soviets.

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E decide"...said the Advertising Agency

A GENERAL, planning a campaign, gets all the help he can from his Intelligence Department. On the same basis, a big rubber company, planning its sales of women's rubber footwear, consulted with its advertising agency. Here was the problem.

The new automatic slide fasteners had been immensely successful on Fifth Avenue. But out on Main Street, where winters are long and snow-drifts deep . . . where service counts more heavily than style . . . would women want slides —or the old-fashioned snaps?

"Let Jane Doe tell us," said the advertising agency. "We'll study the market before we plan the advertising."

This was no swivel chair study. Research crews called on consumers and retailers in Ohio, Michigan, Minnesota . . . likewise also in Connecticut, Vermont, and Massachusetts.

•

The answers of thousands of Jane Doe's were gathered . . . tabulated . . . analyzed. These showed how the women of Main Street would vote that winter . . . what proportions for slides . . . what for snaps. How much did that answer matter to the manufacturer? Hundreds of thousands of dollars which might have been tied up in equipment and future inventories!

* * * *

Studying buyers' preferences is only one of the ways in which advertising agents aid their clients. But because they study these preferences for a wide range of products, they gain an immensely wide knowledge of the consumer market. And knowledge gained on one study often helps on another.

With this wide knowledge of buying habits, the agencies are frequently able to give a fresher, more profitable slant to the advertising itself. That's why so many of the most successful advertisers use advertising agencies.

McGRAW-HILL PUBLISHING CO.
INCORPORATED
330 West 42nd Street · New York, N. Y.

Because McGraw-Hill's continued success depends upon the success of its advertisers, we publish this, the fourteenth of a series of advertisements on the value of agency service in the creation of sales-producing campaigns.

London Splits With Moscow To Clinch Deal With Ottawa

THESE are days of shrewd, sometimes ruthless, bargaining. The rupture in British-Soviet trade relations—though probably temporary—is an example of the extremes to which nations are going to better their trading positions. In this case, the British have taken the aggressive stand.

Relations between Moscow and London, in the years since the Czar was deposed, have not always been happy. After moving along not too smoothly for some time, the first working pact with the Soviets was openly ended in 1927 when the British Conservatives ordered the raid on the offices in London of the Soviet trading delegation. The MacDonald government, when it represented the Labor party, patched up relations and a new commercial agreement was signed in 1930.

Contract Discreetly Worded

One of the demands of the wily Premier Bennett of Canada before that Dominion would agree to a trade pact with Britain at the Ottawa conference in August was that certain Russian products most directly competitive with Canadian be taxed out of direct competition on the British market. Soviet dumping was boldly discussed by the Canadians, but the British delegates discreetly kept any mention of it out of the final contract.

When, last week, J. H. Thomas, Dominions Minister, gave formal notice to Moscow that the 1930 working accord would be terminated at the end of the required 6-month notice, he fulfilled London's promise to Canada. After next April, Moscow will no longer have most-favored-nation privileges on the British market. Britishers, incidentally, will pay more for lumber, grain, and poultry products as a result.

New Agreement Invited

No momentous changes in the trend of world trade are likely to follow the move. London has already invited the Soviets to join in talks which will lead to the framing of a new agreement. It is likely to allow most Soviet products to enter the British market on a basis of equality with other outside-the-empire products.

There are 2 points of significance in connection with the action. One is obvious now; the other may not be conspicuous for some months.

The British are determined to give the empire plan a fair chance to wor[k]. If this means readjusting their Sovi[et] trade, they are willing to risk the lo[ss] of some Soviet goodwill until they kno[w] how extensive the empire gains may b[e].

The Soviets, on the other hand, a[re] sensitive to the thinly disguised char[ge] of dumping in Britain. They sell Bri[t]ain so much more than they buy the[re] ordinarily that they are not likely [to] make any hasty move in way of r[e]taliation. But they are aware th[at] British industry is eager to get Sovi[et] orders, and they will use that eagerne[ss] as a bargaining weapon before they a[re] through.

Both Countries Profit

Soviet-British trade is important [to] both countries. Moscow has gained reg[u]larly by the business. Britain has be[en] the most important export market f[or] Soviet goods for years. Last ye[ar] Britishers bought more than $133 mi[l]lions from the Soviets, or about on[e] third of their total exports. Lumbe[r,] oil, furs, grains, and poultry produ[cts] were major items in the trade.

Moscow, on the other hand, boug[ht] barely $37 millions of British goo[ds] last year, though Russians paid Briti[sh] shipping and insurance companies va[st] sums. Significant is the report that th[e] Soviets have within the last few mont[hs] greatly increased their orders for indu[s]trial machinery and electrical apparat[us] to British firms following the granti[ng] of much longer export credit terms b[y] the British.

On What Terms?

No one doubts that the British an[d] the Soviets will negotiate some ne[w] trade agreement. Mutual benefits a[re] too great to be ignored. What are im[]portant to third-party world traders a[re] the terms. If British industry can fo[rce] the government to maintain favorab[le] credits, it will have these, plus a lon[g]-time favorable balance of trade, wi[th] which to bargain. They are the stron[g]est weapons that it could possibly ha[ve] to meet Soviet arguments. They are n[ot] enough, however, to frighten Mosco[w] into complete submission. Germany [is] still offering Russians favorable ter[ms] for large-volume business. France, sli[p]ping rapidly into depression inactivi[ty,] is likely to agree soon on some sort [of] Soviet trade pact which will allo[w] French business more aggressively to g[o] after Soviet orders.

Business Abroad—Swift Survey Of the Week's Developments

Election uncertainties, increasingly difficult budget problems, the violent decline of the British pound, and political jockeying over the disarmament and war debt problems have unnerved world business. . . . Britain perturbed by social unrest; sterling touches new low for year. . . . French business dominated by alarming budget position. . . . German recovery retarded by election uncertainty. . . . Japan runs into foreign opposition when depreciated yen gives export trade semblance of dumping. . . . Featureless trend anticipated in next 2 weeks.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Business throughout Europe gave up trying to be optimistic this week. Except for the break in sterling, there was no serious collapse, but sentiment sagged very appreciably. Securities markets are suffering under a mild attack of nerves.

Four factors are blamed. The first is the tension over the disarmament question. Nothing serious has developed. Rather, it is the lack of any major development which has unsettled recent mending confidence.

Political factors entered. There is considerable friction in Germany, which is accentuated just now by the pre-election campaign. In France, the budget deficit is casting a black shadow over the political future. There are many who fear the cabinet will not withstand the budget discussions next month. Rumania and Hungary have recently changed governments. Belgium has made a shift. The Opposition in Britain is daily becoming stronger.

Acute Budget Situation

With social unrest spreading and becoming more vocal, and with winter setting in with vastly more unemployed than a year ago, the problem of budget deficits is becoming more acute. While this is bound to force statesmen more promptly to make decisions at major conferences at home and abroad, it does not relieve business of the uncertainty always engendered by an unbalanced treasury.

The fall of sterling to a new low for the year has caused almost more worry on the Continent than in Britain. Various reasons are advanced. Some claim Britain is willing to see the pound drop for the advantage to exports. Some claim it is due to the accumulation of funds to meet the December war debts payment and year-end obligations. Others claim that Britain is withdrawing support so that the pound can seek its natural level before definite steps are taken to return to the gold standard. Certain it is that London seems less perturbed than most of the rest of Europe. Portugal, however, has decreed that the escudo—traditionally allied with sterling—be stabilized at 33 to the dollar "regardless of any further depreciation of the English pound sterling." Other members of the sterling group have as yet taken no action.

Despite uncertainty caused by the pre-election campaign in the United States, Europe is generally inclined to expect little immediate change in policy no matter which candidate is elected. Most leaders, in fact, are inclined to look for an increasing flow of European investment funds toward the United States because of the financial troubles, the budget difficulties, and the tax problems in Europe, and because the feeling seems to be general that there will be further definite signs of revival in the United States following the election.

Social Unrest Intensified

Labor problems and general social unrest are occupying more and more attention in Europe. Deepening depression in France has caused a fresh wave of wage cuts which are no longer being accepted calmly. Germany, despite some recent reduction in the number of jobless, is not free of labor problems. Even with the new jobs recently created, the Reich will be called upon to care for more unemployed workers this winter than a year ago. The "march on London" is more spectacular than significant, though British labor is vigorously outspoken, may cause considerable trouble before the winter is over. Railroad employees are threatening complete stoppage of the transport system rather than accept the new demands of employers for a further wage cut. The spinners' strike in the Manchester area, however, seems success-

Wide World

AL FRESCO DIPLOMACY—*Neudeck Castle when Germany's maneuvering President von Hindenburg breakfasted the Reich's newest "powers," assured them of his support. Von Papen (with bow tie) holds the titular power, von Schleicher (tasting his coffee) the real power. Von Gayl is at the President's right. Meissner has his back to the camera*

fully to have been averted. Labor problems in the next 6 months are viewed with dread throughout Europe.

Plans for the world economic conference have become no more definite this week. It is increasingly evident that the conference will be confronted with a maze of problems, that only a few of the major decisions will actually be made until committees have ironed out the wrinkles in small groups. And monetary problems, rather than tariffs, are likely to be given first consideration.

The coming week is likely to bring small change in the present business situation. The elections in the United States are an extremely important factor because the feeling is general that the United States must take the lead in any substantial trend toward recovery.

France

Dollar momentarily approaches gold export point; no evidence of important European speculation. . . . France dislikes idea of paying December instalment on war debt to United States. . . . Country's economic position increasingly less enviable.

PARIS (*Wireless*)—The weakness of the dollar, which momentarily has dipped once more perilously near the gold export point, is due largely to sales of British stabilization funds in defense of sterling. There is no evidence of any important European speculation in dollars since futures stand at one-half and one, the lowest in months.

France is eagerly watching the raid on sterling, hoping that sheer lack of dollars and inability of the British to obtain them, except at enormous sacrifice, for payment on the war debt due Dec. 1, will persuade England of the advisability of cooperating with France for a concerted European front against further transfers either of interest or capital pertaining to war debts.

Paris Doesn't Want to Pay

France is liable for only $20 millions in interest on Dec. 15, but the government is reluctant to make even this transfer and no provision is made for it in the budget. This is due to nonsettlement of reparations by Germany, and furthermore, to the fact that France holds Hoover entirely responsible for dislocation of the delicate war-debt transfer machinery wherefore the United States is duly obliged to accept the consequences which must have been known all along.

Three solutions to the vast problem are discussed in Paris: (1) In event of a Roosevelt victory in the coming presidential election in the United States, France wants to make an outright demand for total cancellation; (2) as an alternative, if necessary, Europe might demand a 3-year moratorium and then only nominal continuation of interest and capital payments, with no real transfers, the funds being held in a special department of central banks until final settlement is agreed; (3) and finally, if the United States demands concrete settlement, it is proposed that Europe offer to pass on the hypothetical 3 billion marks which von Papen at Lausanne promised Germany would pay to settle reparations.

Phantom French Prosperity

It is pertinent to remember that the comparatively favorable monetary and economic position of France is unreal and is due more to a combination of fatalistic circumstances. One of the soundest French economists has said that "France is becoming a vast foreign gold depôt. It is a profession without profit, except glory. It can even bring heavy risks." Besides the 12 billion franc budget deficit, the gold value of exports in 1932, it is believed, will be less than one-half the pre-war figure, while the national debt is increasing at a tremendous rate. Near future borrowing is likely to total 25 billion francs. Amortization has become impossible. Business is not improving. Certainly, current facts fail to bear out the popular feeling that France is still an economic stronghold able indefinitely to withstand the depression.

Germany

Basic improvement continues but elections introduce factor of uncertainty. . . . Quota problem settled with Denmark and Finland. . . . Break in sterling gives British exporters new advantage over Germans. . . . Coal, steel, chemicals distinctly better.

BERLIN (*Cable*)—Despite the maintained basic improvement in German business, the elections, scheduled for Nov. 6, increasingly are obstructing the recent psychological stimulus stirred by the von Papen recovery plan.

The government has reached an agreement with Denmark and Finland on import quotas on butter on the basis of one-half of last year's imports, and abolition of the surtax on imports from countries with depreciated currencies, making Denmark the chief beneficiary. The outlook for agreement with other countries on this problem is remote.

The tribulations of Germany's exporters seem never to end. This week the decline of sterling, giving British industry a further edge over the German producer on export sales, was the most important development.

Plans for Jobs

New attempts to create employment are being proposed constantly. Most of them embody plans for inflation which Dr. Luther is solidly withstanding.

There is a strong feeling in Berlin that there will be some early consolidation of Germany's foreign short-term debts. Certainly there can be no return of normal credit conditions until this problem is settled.

Most encouraging business news for the week are the reports from the coal, steel, and chemical industries showing distinctly better demand, increasing activity.

Great Britain

Uncertainty undermines British optimism. . . . Fall of sterling, increasing unrest among unemployed significant developments during week. . . Gas-electricity war rekindled in new $5 million electric publicity campaign

LONDON (*Cable*)—There is a palpable conflict in the British people between an underlying conviction that the worst is over and a recognition that for such a conviction there is little, if any, real evidence. The business tone remains good, but there is a strong and growing undertone of uncertainty.

Though not greatly alarmed, British business let the precipitous fall of sterling occupy major interest this week. Most leaders attribute the decline to the withdrawal of foreign balances in anticipation of seasonal pressure, to the bearish speech of Premier MacDonald and to foreign apprehension that the American war debt payment in December will deplete the exchange equalization fund. Prices for gilt-edged securities have fallen with sterling but this has caused no anxiety. New issues on the market continue to command wide public support.

"March on London"

Significant only as a forerunner of inevitable social distress which will be intensified as winter approaches is the "march on London" of the unemployed who are protesting the new "means test." According to this national ruling which has been stiffened by the National

Acme

FARMERS, JUST FARMERS—*The first Japanese emigrants to Manchukuo, dressed in their simple peasant costumes, line up to pay their respects at the Meiji Shrine in Tokyo. They are going out to settle farms, will be supplied with guns, ammunition, and other agricultural implements when they get to Mukden. Thus Japan turns trenches into furrows*

government though it was initiated by the former Labor government, the continuance of state help to those unemployed who have exhausted their claims on the government insurance grants is dependent in each instance on proof of individual personal need. The controversy now arises over the belief on the part of the unemployed in certain areas that local political considerations are depriving them of the right to a share of government relief.

Rail Strike Threatens

Labor problems are increasingly affecting the business outlook. The last-minute settlement of the spinners' strike has eased tension in the Manchester area. Railroad unions, on the other hand, are determined to withstand employers' newest demands for another 10% wage cut, threaten complete stoppage if the issue is pressed. The ugly potentialities of the coming winter with trade still declining are fully realized both by national and local authorities, and despite economy plans, several large-scale relief works are projected.

Continued protection for the country's iron and steel industry has been voted, but when the decision was made, industrial leaders were warned that the duties, when they were first allowed, were made conditional on reorganization within the industry.

Authorities have informed your London correspondent that electricity interests this winter will launch a new publicity campaign against gas on which a sum of not less than $5 millions will be spent. This will be the largest publicity campaign ever launched in the gas vs. electricity war, and will be chiefly conducted by press and poster advertising, with new offerings of cheaper domestic electric stoves. In England, the use of electricity for cooking in the home has never been common.

Gas vs. Electricity

The British gas industry has for some years been welded for salesmanship and publicity into the British Commercial Gas Association, of which Sir Francis Goodenough has been the vigorous head. There is behind gas a strong vested shareholders' interest and a powerful municipal interest. The success of the gas industry in averaging its sales and spreading its peak load gives it an enormous advantage which electricity can counter only by making the domestic as well as the industrial user "electricity minded."

Latin America

All Latin American trade trends featureless. . . . United States and Great Britain recognize Chilean interim government. . . . U. S. Steel requires payment in dollars on receipt of documents by Buenos Aires customers.

THE threat of war between Colombia and Peru is more serious; the United States and Great Britain have granted recognition to the interim government in Chile and national elections are scheduled there for the end of the month; Brazil is quietly proceeding with plans to liquidate the recent civil war costs—these are the outstanding developments in Latin America during the week. None has had a profound influence on business.

American exporters attached considerable importance to the report from Buenos Aires that the United States Steel Corp. is demanding a new clause in contracts fixing the rate of exchange at 6 Argentine pesos to the United States dollar and demanding payment in dollars on receipt of documents.

Far East

Japan pushes export trade behind advantage of depreciated yen. . . . Orient's 2 largest ship lines may complete merger started a year ago.

BUSINESS reports from the Far East this week were indecisive. Japan continues to have a favorable balance of trade and the Japanese products are winning new markets. But the clamor which is being voiced in the United States against Japanese products which, at the depreciated value of the yen, are entering the market at what are virtually dumping prices to domestic competitors, is spreading.

Shipping news is back in the limelight. Various lines are reported to have placed orders for 6 new vessels. And Osaka Chosen Kaisha and Nippon Yusen Kaisha—the 2 largest shipping lines with Oriental registry—are reported once more to be discussing plans for a closer pooling agreement, may possibly effect a complete merger.

Cooperation has been developing over the last 10 years, seemed about to result in complete merging in 1931 (*BW—Apr8'31*). N.Y.K. operates 10 lines serving all continents, is represented in the San Francisco service with the popular *Chichibu Maru*, introduced "tourist third" to the Pacific on its Seattle line.

The Figures of the Week And What They Mean

Coal and carloadings continue to be the outstanding cheerful corners of the business picture. Much of the rise may reflect the replenishment of abnormally low inventories. . . . October construction activity is petering out, particularly in the public works division, though it may be temporary. Residential building is doing fairly well. . . . The price reduction on rails failed to stimulate a rush of orders, though the season is still young. Other factors than price are guiding railroad buying, however. . . . Motor manufacturers continue to hesitate about plunging into heavy production, prefering to wait until more favorable weather.

AFTER waiting for several months for some sign of better buying from the major steel consumers, the steel industry has offered a price reduction bait to the railroads to stimulate their appetites. After a luncheon tendered by Myron C. Taylor, chairman of the board of the U. S. Steel Corp., to a number of important Eastern railroad presidents, announcement was made of a $3 a ton cut in standard rail prices. Since rail prices have been maintained at $43 a ton for the past 10 years in spite of many protests and a threat of Congressional investigation, the reduction became the feature news of the steel industry this week. The reduction was initiated by the U. S. Steel Corp., largest rail producer, and quickly followed by the independent mills.

Speculation as to the effect of the 7% cut runs the entire gamut from hope to skepticism, with the bulk of opinion not very sanguine. Some feel the cut too small to stimulate any appreciable tonnage from roads whose financial situation is far from enviable. Moreover, unless carloadings continue to give evidence of a returning general business activity, the present equipment can still give the required service. *Steel* points out that 1932 rail purchases ha aggregated only 181,012 tons plus 26,000 tons release from last yea orders. In 1931, total production w 1,157,751 tons. Financing of purchas could undoubtedly be arranged wi government assistance, if the roads ind cate willingness to avail themselves this facility. How far the railroads w respond to the price inducement shou become apparent in the next 2 month which is the usual season for rail orde

Railroad Equipment

The extent of equipment-buying cu tailment continues to be reflected in t records of new freight cars and loc motives placed in service by Class roads in the first three quarters of 19 Only 2,679 freight cars and 36 loc motives were added this year, compar with 11,085 freight cars and 106 loc motives in the same period of 19 Rail abandonment due to diminishi traffic also characterizes the econo drive of the railroads. In the 11-mon period ending Oct. 1, some 1,180 mi were closed to traffic, compared wi 1,019 in the same period of 1931.

Automotive producers continue move cautiously, with Ford alone cre ited with more than 1,000 cars a we

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*54.5	†55.4	68.7	
PRODUCTION				
Steel Ingot Operation (% of capacity)	*20	20	28	62
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,014	$5,118	$9,175	$17,619
Bituminous Coal (daily average, 1,000 tons)	*1,315	1,209	1,358	1,670
Electric Power (millions K. W. H.)	1,528	1,508	1,647	1,672
TRADE				
Total Carloadings (daily average, 1,000 cars)	108	104	127	172
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	70	67	82	110
Check Payments (outside N. Y. City, millions)	$3,250	$2,370	$4,170	$5,918
Money in Circulation (daily average, millions)	$5,641	$5,662	$5,524	$4,906
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.45	$.45	$.48	$.96
Cotton (middling, New York, lb.)	$.063	$.064	$.068	$.154
Iron and Steel (STEEL composite, ton)	$29.32	$29.33	$30.68	$33.99
Copper (electrolytic, f.o.b. refinery, lb.)	$.054	$.060	$.068	$.124
All Commodities (Fisher's Index, 1926=100)	61.1	61.3	68.5	88.1
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,229	$2,232	$2,255	$1,504
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,121	$18,981	$21,289	$22,095
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,185	$6,167	$7,635	$8,762
Security Loans, Federal Reserve reporting member banks (millions)	$4,447	$4,467	$5,906	$7,040
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$433	$433	$884	$3,667
Stock Prices (average 100 stocks, Herald-Tribune)	$84.98	$85.66	$102.54	$146.63
Bond Prices (Dow, Jones, average 40 bonds)	$79.53	$79.65	$84.58	$93.83
Interest Rates—Call Loans (daily average, renewal)	1%	1.5%	2.5%	4.1%
Interest Rates—Prime Commercial Paper (4-6 months)	$1\frac{3}{4}$-2%	$1\frac{3}{4}$-2%	$3\frac{3}{4}$-$4\frac{1}{4}$%	4.6%
Business Failures (Dun, number)	535	503	551	481

*Preliminary †Revised

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

Many plants are closed or working on irregular, part-time schedules. Steel releases are reported from Chevrolet, Plymouth, and Buick, but apparently only enough cars to supply dealers will be attempted until the election is settled and business shows more general improvement. Production during September declined more than 8 % in the United States and Canada to a total of 86,483 cars and trucks. Sales of passenger cars and trucks during the month continued to make a fair showing, with sales of passenger cars again outstripping production.

Structural Steel Tonnage

Structural steel releases improved during the past week, and if the 75,000 tons for the Golden Gate Bridge are included, the tonnage becomes the most impressive since September, 1931, according to *Steel*. Other projects are pending that will substantially raise the total of structural tonnage, but most of these hinge on the support of the Reconstruction Finance Corp.

Other steel consumers show little disposition to increase their requirements. Tin plate remains at 45% of capacity, while farm equipment manufacturers are surprisingly slow about preparing for spring schedules.

Construction activity is not maintaining the favorable showing of September. Public works and utility awards are particularly weak, though they still comprise the bulk of awards. From Oct. 1 through Oct. 22, contracts awarded in the 37 states were valued at $75.6 millions, a decline on a daily basis of 17.6% from the September level and nearly 55% below a year ago. The adjusted index for the period ending Oct. 21 declined to 26% of normal.

The largest decline, 20.7%, was reported in public works and utility awards. October contracts to date now total $39.2 millions. Non-residential contracts worth $20.9 millions declined 19.2% below the September daily average, and 69.3% below a year ago. Residential contracts are making the best showing, declining only 5.7% from the preceding month. Contracts awarded totaled $15.5 millions.

Bituminous coal production is now approaching the peak autumn weeks of the year, and has come within 4% of the 1931 peak during the Oct. 17 week. The adjusted index rose sharply to 58%. September production of bituminous rose 17% above August, compared with 4.5% in 1931. Anthracite increased more than 18%, compared with a 1% rise last year. The gain probably reflects the replenishment of exceedingly low inventories, rather than such a sharp increase in industrial activity.

Electric power production again increased during the week of Oct. 22, though this gain is partly due to the inclement weather that prevailed along the Atlantic Coast region. The index rose a point to 71%. The spread from a year ago has been reduced to 7.2%, partly because a dip occurred in the comparable week a year ago.

Coal and miscellaneous freight loadings were the chief classes responsible for the continued upward trend in carloadings beyond the usual fall peak. The spread from a year ago has been narrowed from a maximum of more than 34% in June to 14.5% in the week Oct. 15, cheering the railroads whose earnings are being substantially benefited. The adjusted index based on miscellaneous and less than carlot freight rose 2 points to 54% of normal. Indication of several roads for the week Oct. 21 suggests no slump in loadings, though the fall peak in coal production is approaching.

Check Payments

Though check payments increased in the 140 cities outside of New York following the Oct. 12 holiday, the index based on the past 2 weeks declined to 56%. The greatest gains occurred in the 10 large financial centers.

Currency circulation during the week Oct. 22 again declined in seasonal form, and is slowly approaching the level of the fall of 1931. The outstanding volume is still far in excess of trade requirements, but the irregular decline of such circulation since early July reflects considerable improvement in general confidence. September bank closings numbered 65, compared with 85 in August and 128 in July, according to the Federal Reserve Board count.

Commodity price fluctuations remain disappointing. Scarcely a single major commodity could muster an advance and buck the downward trend of such items as coffee, hogs, cocoa, wheat, corn, sugar, silk, tin, copper, silver. The outstanding exceptions are cattle and rubber.

Trends of the Markets In Money, Stocks, Bonds

Sharp break in sterling currencies suggests increasing international financial strain. . . . Extreme ease of money rates continues, with little sign of credit expansion. . . . Stocks sag in pre-election doldrums. . . . Bond market shows investment uncertainty.

Sterling Break Tightens World Financial Strain

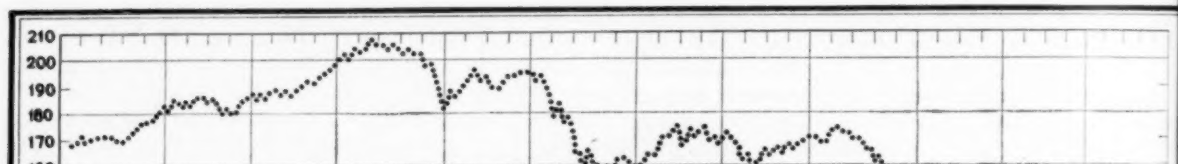
UNSETTLEMENT in international exchanges has become more acute. Sterling has fallen about 15¢ in a week—from around $3.45, where it was steady for several months, to around $3.30 at this writing. At its lowest point last week it touched $3.28. The low following suspension of gold payments last fall was about $3.21, and the record low $3.18 in 1920. Other currencies allied to sterling showed similar declines.

Reasons for this sudden weakness in the sterling currencies are numerous. Underlying factors are: continued fall of British exports (now lowest since 1905); diminishing receipts from shipping, insurance, financial, and trading services, from frozen foreign investments and other invisibles of the trade balance. Immediate influences are: pressure of seasonal payments for cotton and other imports; approaching payment date of war debt instalment to the United States, for which no offset will be received from France and Germany; probable necessity of paying off foreign holders of recently converted government bonds in cash; low level of long-term interest rates in London leading to withdrawal of funds for investment abroad; nervousness of foreign and domestic capital in England about growing social unrest; reports of a pessimistic statement by Norman.

Cumulative force of these adverse factors, combined with tendency of prices in Britain to decline, probably prompted decision of British Treasury and Bank of England not to try to support sterling. Whether the Treasury was not able to support sterling at the $3.45 level through exhaustion of the sterling equalization fund is uncertain. Large releases of earmarked gold in New York during the week indicate that some attempt at support was evidently made. In any case, once it was apparent that effective support was not forthcoming the currency speculators sold sterling heavily.

From the point of view of the gold standard countries this further decline in sterling is not favorable. For the sterling countries it will tend to steady the internal price level, ease the internal debt burden and temporarily create a new advantage in export trade. But by increasing competition with the gold standard countries it is an additional deflationary factor in the situation, and should spur action on currency questions at the coming international economic conference. The sharp drop in wheat prices to record low levels was an immediate reflection of the exchange disturbance. Chances are sterling has not yet found its level and will go lower.

So far as the New York money market was concerned the only apparent influence of this factor was a further easing of money rates, already at record low levels, as foreign funds flowed here. Sixty-day time money was offered at ½% as against ¾% earlier. The fact that the latest 90-day Treasury bill o



ering of $80 millions commanded a igher rate (0.20%) than the last two receding issues may be symptomatic f the problem presented by the now omplete dependence of the Treasury pon bank credit to finance current re- uirements. Member bank statements ill show that this is almost the only ind of credit expansion taking place.

Bond Market Is Nervously Hopeful

THE persistent sagging tendency in onds, even high grades, which has re- ppeared periodically in recent weeks is ore significant than the indecisive ownward drift of stocks. On the sur- ace, of course, it seems to mean noth- ng more than the suspension of invest- ent interest pending election, for the pparent abundance of idle funds and e extreme ease of money rates would ormally mean a strong bond market. A little undercurrent of nervousness bout currency and fiscal matters seems o have crept into the picture recently, artly as result of the decline in com- odity prices which has nearly wiped ut the mid-summer gain and partly mphasized by the sudden collapse of terling. Weakness has appeared in for- ign issues, and governments have eased f a bit. The I.B.A. in its current eeting of course announced expecta- ions of an early revival (not dated) of ond sales, but the immediate market is ot impressive.

Wall St. Saves Up For Post-Election Rise

SECURITY markets have continued in the pre-election doldrums that have prevailed since the middle of the month. Trading has been very light, mostly below million-share days in stocks, and purely professional. The public is not interested in stocks till election is over, if then. Stock price movements have had little significance except in connection with the position of specific companies. The market is now more concerned with third-quarter earnings statements than with the prospects of improved earnings in the future, with current trends, or even with current dividend actions.

This week it was thought the stock market was waiting for U. S. Steel action on the quarterly preferred, but declaration of the dividend did not break the dullness and the slow downward drift. The market apparently thought the latest corporation's earning statement more significant than payment of the dividend out of surplus. Politics seem to have no direct or immediate influence, except in the sense that nothing will be doing in the market till the election is decided one way or the other. Everybody expects a post-election rise in either case, more if Hoover is the unlucky winner, less if Roosevelt gets the buck. Now the market is merely making room and "saving up" for that rise, hoping to pull off a good one and get the public in again.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

November 2, 1932

Doles for Dollars

CONSIDER the plight of the unemployed dollar. It may make less human appeal because dollars are cannibalistic and can live on themselves a long while. But it is quite as important in the present situation as that of unemployed labor and looms as large in the problem of business recovery. It is only the other side of the shield.

The number of dollars at work in this country today, those with regular jobs in a bank loan or investment, are about $15 billions less than in 1929. We call that deflation. On the average, $1,500 means one man working one year, and there are 10 million less men working than in 1929. We call that unemployment. The two things are the same thing, and must be considered together and at the same time. To make jobs for men you must make jobs for money.

Just now dollars by the billion are on the breadline in every financial center in the world, just as men by the million are idle in industrial centers. In the Federal Reserve banks alone there are half a billion of them, called excess reserves, getting a free lodging for the night and not doing a lick of work or earning their keep; and for every one of them there are ten loafing among the ledgers and idling amid the adding machines of the member banks.

Most of these dollars are living on a handout. The banks can't afford to pay them much because no jobs can be found for them at the old rates, and it is likely their dole will be cut down some more shortly. The government is providing practically all the jobs there are, conscripting them through successive Treasury security issues, putting them to work in various ways—melting the ice off frozen assets, working on the railroads keeping rust and receivers away, and doing other desirable odd jobs. But even so there is such a surplus that for every such job offered by Uncle Sam a dozen apply, and the unsuccessful applicants are compelled to panhandle temporary sustenance at ½ of 1% in the call money market.

What's the matter with the poor simoleons? Hardly malnutrition or anemia. Every dollar has gained in weight about 50% since 1929 and could do half again as much work in any line. Foreign competition is hardly a factor since money's wages abroad are still higher than here and immigrants are coming in only for a short stay. Foreign dollars have too much wanderlust to be hired for long jobs.

It is true that many of them are unemployables. They have become lazy, stupid, or sulky and have lost a good deal of the initiative and venturesome spirit that their fathers had. Some of them have been sleeping too long in safe deposit boxes—hibernating bear dollars. Most of them refuse to accept wage reductions or to take any permanent jobs except at impossible prices and with all sorts of guarantees. The spread-work idea at lower wages doesn't appeal to them, though their keepers preach it for unemployed labor. They had rather take a government dole than regular employment at some productive work with a future. All of them expect unemployment insurance.

But their employers are also partly to blame for this demoralization of the dollar. Many of them are carrying inefficient, high cost, superannuated dollars on their payroll and wondering why they have to spend all their profits on red ink. These old dollars should have been retired on a pension before they petrified into obsolete equipment, plant facilities, and distributive machinery which is eating their employers out of house and home. Throughout industry there is opportunity and need to put new dollars—the big fat dollars of 1932—to work doing man-size jobs and earning their board turning out products at lower cost, improving processes, developing new products, expanding and rejuvenating sales and advertising effort. Why pay doles to idle dollars any more than to idle men when there is work in the world to be done?

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